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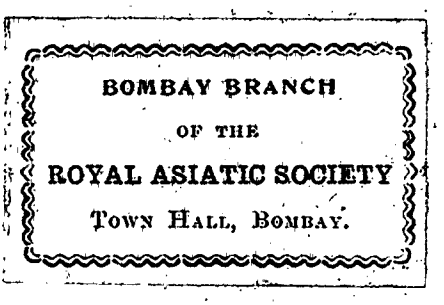

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COBDEN CLUB ESSAYS,

SECOND SERIES, 1871-2.

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BY

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THE HON. DAVID A. WELLS, LL.D., *of the United States.*

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SECOND EDITION.

FREE TRADE · PEACE · GOODWILL AMONG NATIONS
Cobden Club

CASSELL, PETTER, AND GALPIN,

LONDON, PARIS, AND NEW YORK.

1872.

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PREFACE TO THE SECOND EDITION.

THIS Edition of the present Volume of COBDEN CLUB ESSAYS contains some additions; and the Essays have been revised by the Authors, with the exception of the Hon. David A. Wells, with whom there has not been time to communicate on the subject of the present Edition.

The Committee of the Cobden Club beg to refer to the Preface to the First Edition, reprinted below, for some introductory remarks.

January, 1872.

PREFACE TO THE FIRST EDITION.

THE present volume contains a series of Essays on various subjects of great international, social, and economic importance, namely, The Causes of War, and the Means of Reducing their Number—Primogeniture —The Present Aspect of the Land Question—Financial Reform—A Proposed New Treaty of Commerce between England and Germany—English and International Coinage—Trade-Unions, and the Relation of Capital

and Labour—The Colonial Question—and the Economic and Financial History of the United States in recent years.

The Committee of the Cobden Club feel assured that the public will see with gratification, that among the chief contributors to the volume are several foreign writers of distinguished rank as economists and publicists.

Mr. David A. Wells, of the United States, is known throughout Europe as one of the ablest living financiers; and the Committee believe that his essay will hold a permanent place in economic history.

M. Émile De Laveleye's reputation as a publicist is so high in this country, as well as on the Continent, that a treatise by him on the means of diminishing the frequency of wars cannot fail to command the serious attention of every statesman.

Mr. John Prince Smith—though best known as a member of the German Parliament, a leader of the Free Trade party in Germany, and one of its most eminent economists—is by family and birth an Englishman; and he has, in his contribution to this volume, rendered to his native country the service of addressing himself to a question which is not only one of great international interest, but also one of special practical concern to England.

Herr Julius Faucher—whose Essay, like the highly instructive article on Land Tenure in Russia which he contributed to the former volume published by the

Cobden Club, has been written in English by himself —was one of the earliest and most zealous of the Continental Free Traders who entered into close communication with Mr. Cobden after the repeal of the Corn Laws; and has ever since, whether as a member of the Prussian Parliament or as an economist, been identified with the Free Trade movement in Germany. His long residence in England has given him an unusual insight into its economic and fiscal condition; and his essay possesses peculiar interest at the present time, as showing the importance which German economists attach to treaties of commerce in the prosecution of the Free Trade policy, and the anxiety with which they still look to England for co-operation and sympathy.

The Committee need only add with respect to the Essays, that each writer is solely responsible for the opinions and statements advanced in his own Essay.

The Appendix contains a statistical summary indicative of the beneficial results of the Treaty of Commerce between England and France, which has been recently printed in a separate form, but which it is thought may be found more useful to members of the Club, when incorporated in the present volume.

December, 1871.

COBDEN CLUB ESSAYS.

SECOND SERIES, 1871.

ON THE CAUSES OF WAR, AND THE MEANS OF REDUCING THEIR NUMBER.

By Émile de Laveleye.

A few years ago many thoughtful men, in no way given to utopian ideas, had begun to hope that Western Europe, at any rate, would never again be the scene of the awful horrors of war. Everything seemed to favour that belief. The circumstances which should make nations love peace and dread war were daily on the increase. Old feuds of race were diminishing, rivalries and prejudices were by degrees fading out. The English, the French, the Germans, the Americans, the Italians, were learning to know and to esteem each other, and to appreciate the services which each rendered to the common cause of civilisation. Steam had brought men together, electricity had done away with distances; such frequent and such intimate relations had thus been established between nations, that it seemed as if they must soon unite in one group, in one family, in one single federal state. Owing to the reduction of tariffs, and the increasing number of treaties of commerce, the exchange of produce enriched the seller while it benefited the buyer. Capital, become cosmopolitan, was employed to call forth the natural resources of foreign countries. English savings made Russian and American railways, the savings of France con-

structed Austrian and Italian railways, while German, English, and Belgian capital created the railways of Sweden, Spain, and Turkey. Thus it became impossible to ruin others without imperilling one's own investments, or to strike an enemy without killing a debtor; and it seemed as if victory would be almost as onerous to the victor as to the vanquished. In order to facilitate commercial transactions, the same laws and rules, and a uniform system of weights and measures, of coinage and of postal tariffs, were becoming universal. International exhibitions seemed to consecrate the economic union of the various countries, by bringing them together in the same town, and, so to speak, in the same arena, there to compete for the palms of labour, manufacture, and art. Facts and sentiments of a pacific nature were thus gaining ground every day. I believe, in truth, that no nation in Europe, had the question been fairly put to them, would have answered that they wished war.

Yet we have seen Germany and France, without a moment's reflection, engage in a death-struggle which has cost the conquerors almost as many tears as the conquered, and that for a pretext so flimsy that the very memory of it is almost lost by this time. Doubtless the rivalry of the two greatest military powers of the Continent made this appalling conflict possible; but it is none the less certain that, without their own deliberate consent, and against the wish of every other civilised people, two noble nations were plunged into a war of which the horrors have been rarely surpassed. Is it possible that nothing could have been done beforehand by the commonwealth of nations to prevent such a conflict? —that nothing can now be done to prevent such another?

Again, it is but a few months since England and Russia were on the very brink of a war which must have set the whole East in flames, and that on a question really affecting the true interests of neither Russians nor English—one for which, at any moment, actual hostilities may yet break out, if nations content themselves either

with dreaming of peace or with making preparations for war.

Nothing can be more painful than the contrast we behold between the progress of pacific interests and sentiments on the one hand, and these constant dangers of war, suspended over our heads, on the other. We ask ourselves whether it would not be possible to give to the powerful influences which make for peace the predominance they are entitled to claim, and whether nothing can be done to diminish the number and force of the causes which tend to war? The question is as difficult as important, and I can by no means hope to answer it adequately; but I will endeavour to discuss it methodically, and to vindicate the practical conclusions to which the best consideration I can give to the facts of the case appear to point.

I must first inquire what have hitherto been the chief causes of war, and how far they threaten it in the future. I will then attempt the inquiry whether any remedies can be employed to avert the actual perils before us—whether any means can be found to strengthen the influences tending to peace, and to counteract the causes that tend to destroy it.

I.

Of the Causes of War.

1.—*Wars of Religion.*—Antiquity offers no example of religious wars. The intestine wars of the Greeks were as frequent, as fierce, and as cruel, as those they waged against barbarians. When Alexander destroyed Thebes, massacred its population, and swept that famous city from the earth, he acted in the name of no particular creed. When Rome subjugated in succession every portion of the known world, she never thought of imposing her form of worship on the vanquished; far from proscribing their gods, she often admitted them into the national Pantheon. When the emperors persecuted the Christians, they punished in them the political partisan, not the religious sectarian. Polytheism, with its purely

external worship, its myths which were ever in a state of transformation, its ill-defined ideas, did not take a sufficient hold of the soul, and did not contain dogmas sufficiently positive to inspire it with the desire of imposing them violently, and of spreading them sword in hand.

The progress of Buddhism in Asia was accompanied by struggles that had the true characteristics of religious wars, and the conquests of the Mohammedans were undoubtedly wars for the propagation of the faith, similar in that to the Crusades which were their sequel. But it was with the Reformation that the most violent and the most bloody religious wars burst forth.

Buckle hailed as a principal cause of progress the decline of religious beliefs as the germs of religious wars. But surely it is nobler to fight for what one believes to be sacred truth, than for a colony, a portion of territory, a frontier, or a point of honour. Beasts of prey fight every day for the limits of their hunting ground. Man alone fights for an idea of God. Wars far less honourable to human nature—nay, far less rational than wars of religion—have been fought since Buckle wrote.

Nor ought we too hastily to conclude that the feelings which formerly led to wars of religion will, in the future, exercise no influence on the affairs of Europe.

More than one fact proves the contrary. The intervention of France in Rome even under the Republican Government, and the occupation of the Papal city under Napoleon III., took place to obtain the support of the French clergy, which exercises great influence over the rural electors. If a monarchical restoration were to happen in France, it is far from unlikely that in order to conciliate the goodwill of the Catholic priests, the new government would take in hand the cause of the Pope; and there is a consequent danger of disputes and complications between France and Italy. In England, in Ireland, in Austria, and in Belgium the Catholics, guided by their bishops, have called for an active intervention in favour of the Pontiff. If bishops, therefore, had been able to lay down

the law to their governments, we should have seen already a new religious crusade. Let us suppose again, that Ireland were separated from England, and free to obey her own instincts—an Irish war with Italy for the temporal power might be predicted, and with it a war in Ireland itself between Protestant Ulster and the Catholic provinces.

In Russia, too, the power of religion in a similar direction is still very powerful. The Czar being the head, not only of the State, but also of the church, it is never difficult for him to give a religious colour to any war undertaken for the defence or the aggrandisement of "Holy Russia." This would certainly occur were it a question of delivering other Sclaves of the orthodox faith from the detested yoke of the Mohammedans, or of conquering Constantinople and the dome of St. Sophia—the Rome of the Greek faith.

A war promoted by religious feeling is not therefore impossible even in our day; although the general march of ideas becomes daily more and more opposed to intolerance and to armed propaganda.

One cannot say too often or too loudly that ministers of religion have in no country been sufficiently penetrated by the spirit of the Christianity they preach.

They have not known how to instil into the hearts of men a horror, which they have not felt in their own hearts, of bloodshed, battles and conquests. When the armies of their countries have been victorious, they have ever been ready to chant loud *Te Deums*, and they have anathematised war only when its issue was against their own cause. If the spirit of peace has made any way in the world, it is much less owing to the influence of the pulpit than to the influence of economic ideas. Cobden has done much more than any preacher to diminish the causes of war.

In fine, we shall probably see no more sheer wars of religion; but inasmuch as the feelings by which they were in former times brought about, and the ministers who are ready to stir up those feelings, are still very powerful, we must continue to count differences of creed

among causes which may at least add force to other causes conducive to war.

2.—*Wars for the Balance of Power.*—After the Peace of Westphalia, European statesmen assumed, as a fundamental maxim of international politics, that it was necessary to uphold among the great powers a sort of equilibrium, so that none among them might become strong enough to dominate over the rest. The coalitions against Louis XIV. and Napoleon I. were organised under the influence of this idea. But the balance of power is now no longer upset only by conquerors. On the one hand, the principle of nationality removes ancient landmarks, to form vast agglomerations based on identity of language and origin; on the other hand, economic progress enables states to double their population and their wealth in a generation. These are forces that can be arrested only by annihilating the people who wield them, and that no coalition can do.

When we remember that at no very distant future the United States will be more powerful than all the other civilised nations combined; and that Russia, if she choose, can increase with almost equal rapidity, it seems impossible that a rational and farsighted statesman should advise a war in defence of the balance of power. We on the Continent call it *une idée surannée;* as in England it is called "an exploded opinion." America looks upon the balance of power as an historical antiquity which has no place in the nineteenth century.

In a future age, when certain races will be numerous and powerful enough to threaten the independence of the others, it is to be hoped that they will at the same time be enlightened enough to understand that harm to themselves must accrue from such an attempt. The notion of preserving the balance of power in Europe has lost and, it is to be hoped, will continue to lose ground; although one dare not say, so long as states like Germany or Russia continue to aspire to military supremacy, that all danger of war from the jealousy and apprehensions of the aggrandisement of other powers is a thing of the past.

3.—*Wars of Intervention in the Internal Affairs of Other Countries.*—The Holy Alliance proclaimed it a right and a duty to intervene in support of the principle of authority and to defend legitimate monarchs. France, in the name of this principle, undertook the Spanish war of 1823, and from 1820 to 1848, Austria, in support of the same cause, constantly intervened in Italy.

The French Republic of 1792 equally declared it to be its mission to assist all peoples who were endeavouring to get rid of their sovereigns. M. Guizot, in 1847, proposed to interfere by arms in Switzerland to support the *Sonderbund* and defend the Jesuits.

All states, in short, until quite recently, admitted that in certain cases a state ought to interfere in the internal arrangements of neighbouring states to support the just cause; that is to say, to secure the triumph of their own opinion. England first supported the opposite doctrine, which has received striking recognitions from all Europe since.

France was allowed to expel Louis Philippe, to proclaim a republic, and even to elect Louis Napoleon emperor, notwithstanding the interdict of the treaties of 1815, and no one thought of questioning the right of the French people to adopt the form of government they preferred. The Spaniards have driven away the Bourbons, and nobody has objected. Though the new Emperor of Germany can hardly be expected to love republics, he never thought, even after his armies had occupied Paris and the half of France, of denying to the French people their right of adopting a republican form of government. Once it is universally allowed that every country is free to regulate its own affairs as it pleases, a formidable cause of war will have been removed.

It ought to be formally laid down as a fundamental rule of European public law, that no state is to interfere in the domestic affairs of a foreign state, because such intervention may do much harm and can do no good. Look only at the last French war in Mexico. Men profit so little by experience, that the system of intervention cannot perhaps be considered as entirely abandoned;

but, having certainly lost much of its credit, it forms one of those causes of war which are about to disappear.

4.—*Wars of Historical Origin.*—War begets war. The conquered dreams of revenge, bides his time, and the strife begins afresh. Hatreds have been handed down in this manner from age to age. The enmity between France and England, which lasted many centuries, furnishes a striking example. From 1110 to 1815, of 705 years, there are 272 of war between the two nations; and until the other day excited French patriots and a portion of the French army dreamed of avenging Waterloo. Did not colonels of cavalry, within recent memory, swear to cross the Channel with their squadrons? These hostile feelings have now calmed down; but in their stead, alas! has not the war which has just ended left in the bosom of the Frenchman an antipathy to the German which it may take generations to obliterate, and which makes at least one more war of historical enmity almost certain?

In truth, however preposterous national animosities may be, the elements from which they spring are far from having been extinguished by civilisation as yet. Political economists for the most part, reasoning in their closets only from the commercial interests of mankind, have dismissed the real world and its history alike from their thoughts and their theories; and I cannot but think they would have better served the cause of peace, had they looked below the smooth surface of a few years ago at the dangers which an inductive study of the actual historical world disclosed to a mind here and there among their number. From a close inductive study of facts, Mr. Cliffe Leslie was able, in 1860, to foretell, in truly prophetic terms, the storms of war which have burst upon Europe since. We should be relapsing into the dream from which so many intelligent men were rudely awakened by events which he foretold, were we to expunge historical feuds and antipathies as yet from our catalogue of existing causes of war.*

* "The Question of the Age, is it Peace?"—*Macmillan's Magazine*, May, 1860, and "The Future of Europe."—*Ibid.*, Sept., 1860.

5.—*Wars of Race.*—The conflicts between nations at the time of the great invasions were wars of race. In the Middle Ages, on the contrary, the innumerable petty sovereigns, among whom our continent was divided, waged wars with each other in which differences of nationality bore no part. At a later period great dynasties created the modern nations by conquest, marriages, and inheritance, irrespectively of the ethnological origins of the populations thus brought together under one sceptre. The identity of the sovereign was sufficient to make the unity of the state.

At the present day, this is no longer so. The various branches of one and the same race seek to gather together, to unite themselves in one state, without taking account of the boundaries assigned to them by treaties, or by those traditional rights on which sovereigns lean. Italian unity has thus been created under our eyes. Thus it is that German unity is being evolved, and now almost constituted. On their side the Sclaves aim at forming an immense empire, or a powerful federation, which would give them in the world a position proportioned to their numbers.

It is only quite lately that the question of nationalities has become the great political question of the time, and that we hear the Latin, the Germanic, and the Sclave-races constantly spoken of. In England, where people look chiefly at the moral and intellectual side of political progress, they do not fully understand the danger contained in these new problems.

It appears strange that hostility of race should manifest itself at a time when the growing facilities of communication give rise everywhere to a feeling of universal cosmopolitism. But this can be explained: these contradictory effects are produced by the same causes—by the diffusion of knowledge, by the sovereignty of the people, by parliamentary government, and by the cultivation of philology and literature.

The progress of democracy exalts the national feelings, and at the same time hastens the fraternity of peoples.

Differences of language are of small importance

under a despotic rule. When the Emperor of Russia gives an order it must be obeyed by Poles, Germans, Finns, Cossacks, Tartars, and Samoyds; but when the power resides in a deliberative assembly, a common language that all can understand and make use of becomes necessary.

Formerly, dynastic interests played the first part; now the feelings and the sympathies of the populations have to be consulted. Men of science have endeavoured by the means of philology and mythology to reconstruct the features of the great races; and these efforts of science have given food to the passions of the masses. Latins, Germans, and Sclaves claim to remodel the map of Europe according to the boundaries of language. Linguistic and ethnological congresses furnish them with their platform and their war cries.

No question in Europe is more rife with troubles of a serious and durable nature than this question of nationalities. The fermentation will not calm down until it has reached its end; and Europe may probably have to go through two or three more frightful wars before this ethnological evolution can be accomplished.

These wars of races are horrible, because they bring the peoples themselves into collision, as we have just seen happen in the Franco-German war. Alsace is now reunited to Germany, but it is no brotherhood of nations which the union bodes; it has, on the contrary, sundered a fresh gulf between German and Frenchman, which hostile armies are too likely to cross.

But it is between Teuton and Sclave that the greatest difficulties are likely to arise, and for two reasons. In the first place, the national sentiment is in both races exclusive and grasping; and, secondly, geographical necessities make it very difficult to draw boundary lines in keeping with the ethnographic requirements. Ethnologically, the Baltic Provinces should belong to the Germanic,*

* The majority of the population are Finns in Esthonia, Letts in Livonia and Courland; but nearly the entire population is of the Protestant religion, and all its active elements—nobles, proprietors, professors, clergy, merchants, manufacturers, townspeople—are German.

Bohemia and Moravia to the Sclavonic group; geographically, the former must belong to Russia, and the latter to Germany. From this springs a source of ill feeling and danger such as, happily, does not exist between even German and Frenchman. It is true there is, fortunately, some security against the rise of a formidable Pansclavic Empire in the opposition of the Poles, whose race, indeed, might incline towards the Russians, but whom religion, tradition, and national ideas connect with the West.

All these difficulties might be settled without war, Switzerland being proof. Switzerland is inhabited by three races, who live together in happiness and content, and with no desire to join the great surrounding nations with which they have ties of blood.

Affinities of origin are not without importance, but the first things for a nation are liberty, prosperity, and independence. Let Russia, let Austria, allow their subjects of various origins a complete autonomy and perfect liberty, and all difficulties would by degrees disappear.

The Austrian Government seems sincerely desirous of making the attempt; but in Russia the dominant class seem not to have yet reached such a point, even in idea. They dream of territorial aggrandisement and of a Pansclavic unity, to be imposed by force and persecution, first on Poles and Livonians, and later on the Serbs, Roumanians, and Bulgarians.

The great misfortune of Eastern Europe is the unenlightened state of Russia. She is now pursuing, with infinite intelligence and skill, an object which is far from being suited to promote the real interests of her people. They are kept down, every spontaneous effort is stifled, and their resources are drained to keep up enormous armies which can only be meant for conquest. If the Russian Government would imitate the United States; if it would disarm, and encourage men and capital to settle in the Eastern provinces, what marvellous progress would be made without any cost to mankind?

The preventive to wars of race consists in establish-

ing everywhere local autonomy and the federal system, as in Switzerland and in the United States, and in making people thoroughly understand that it is preferable to belong to a small and free country than to a large empire ruled by a despot.

Providence may, in its mercy, design this solution of the nationalities problem; but at this moment, so far from wars of race seeming extinct, they are the most threatening of all the perils which surround the family of nations. On the evening of Sedan, General Sheridan and the correspondent of an English journal came to Prince Bismarck to congratulate him. They were thirsty; a bottle of beer was brought; and, with the liquor which Odin and the Valkyrias quaff in the Walhalla, they all drank, on the bloody battle-field, to the everlasting alliance of the three great branches of the Teutonic race. Was this a presage of the future bonds of race? *Absit omen.*

6.—*Wars for Natural Boundaries.*—Has Nature itself drawn certain lines for the boundaries of states? Assuredly not. Most European states would be much at a loss to show that their frontier should follow the course of this river or that mountain range, the more so that the ethnographic boundary hardly ever coincides with the pretended physical or natural frontier. The only countries that could lay any claim to such natural frontiers as are nearly co-extensive with ethnographical ones, are Spain, Italy, Sweden, and Norway; nay, to Italy this would not strictly apply, inasmuch as she ought to extend as far as the Alps, and thus hold the Canton of Ticino and "Wälschtyrol" up to the Brenner. The Basque people, again, exist on both sides the Pyrenees, which thus divide them into two fractions. Then the Iberian Peninsula contains, besides the Spaniards, the Portuguese, whose nationality is undoubtedly a distinct one. The Scandinavian Peninsula is also inhabited by the Lapps, who are a race in their own right; while on the other hand the coast of Finland contains a Swedish population.

Without taking the ethnographic boundaries into

account, it would be impossible to say which are the natural frontiers of Russia, of Germany, or even of France. Wherever the Sclaves and Germans touch one another, they are intermingled—no river, no mountain range can be looked upon as a line of nature drawn between the two races. France has clearly defined natural boundaries in the South, the Pyrenees and the Alps; but in the North and North-East none such are to be found. Were the course of the Rhine to be followed after the Alps and the Jura, Germanic populations would have to be included—such as those of the Rhenish Provinces and of Belgian Flanders. The language boundary, on the other hand, follows the line of the Vosges, and then passes along the crest of the Ardennes as far as somewhat beyond Liége, whence it runs almost in a straight line towards the sea, reaching the British Channel between Calais and Dunkirk; but this ethnographic or linguistic boundary is not marked by the smallest watercourse or range of hills. It is therefore manifestly absurd to start from an orographic basis in describing the boundaries of states.

There is something more plausible in grouping populations according to the languages they speak, community of tongues being one of the ordinary conditions of political union; but it is an insult to common sense to separate populations of identical origin on the ground of some river or mountain range passing through their territory. For this reason, the nationality principle is now all but generally appealed to, as the basis upon which states are to be re-constituted; and wars for natural boundaries might be struck from our list were the idea not still firmly rooted in the heart of one great people, the French. And now that Germany has wrested from France a province of Germanic race, doubtless, but long cordially united to the French nation, the idea of resuming their natural frontiers is likely to take yet deeper root, and to render the task of every wise and prudent government exceedingly difficult in the latter country. If it wishes to await the proper hour, and resists the impatience of the people,

the opposition will use this as a weapon against it, and may even overturn it by charging it with cowardly neglect of the honour of the country.

Thus, the theory of natural boundaries seems to remain standing as a probable cause of war at one point only of Europe; but that point threatens with new dangers the peace of our continent.

7.—*Wars of Conquest.*—Formerly nothing was deemed so glorious as conquest. A conqueror was applauded by his people, admired by the whole world, immortalised by historians, poets, and sculptors. None thought of inquiring by what butcheries and inhumanities, by what treacheries and lies, his conquests had been achieved. In our own time a perpetual tribute of admiration has been poured forth to Frederick II. and Napoleon I.; and most of the public monuments in Berlin and Paris have been dedicated to the demon of conquest. Louis Philippe, the most pacific of kings, who fell for loving peace too well, must consecrate the Palace of Versailles *à toutes les gloires de la France*, and bring home the ashes of a conqueror whose memory ought to have been held up to the detestation of the new generation. Thus the love of military glory has been breathed into the soul of the chief nations of the Continent from their infancy; and in general estimation there is still no glory equal to that of having slaughtered hundreds of thousands of one's fellow-men.

Nevertheless there is already a minority not without influence, to whom a great conqueror seems rather a monster to be execrated than an object of homage and admiration; and who point out that the feudal brigands who from their secure fortresses swooped down upon peaceful merchants and travellers, were in like manner admired and celebrated in their day. Already, too, neither nation nor government venture to own that they meditate conquest. Napoleon III., when he annexed Savoy and Nice, made a show of consulting the suffrages of the inhabitants. The Germans, when they tore Alsace and Lorraine from the bleeding body of France, did not invoke the right of conquest; they appealed to the prin-

ciple of nationality, and the necessity of defence against a people bent upon conquest. The Russians themselves, the least civilised of European nations, to justify their ambitious schemes south of the Danube, talk of the duty of protecting oppressed Christians and the future of the Sclave race.

Wars of conquest, therefore, we may affirm are on the point of disappearing, and the world's morality is rising above them. All history ought to be rewritten to that end; for what history has ever told what conquerors or conquests have really been?

At all times men have instinctively admired those who have seemed most useful to them. In ancient times, strength and courage were the primary factors of usefulness. Hence, in the heroic ages, it is physical strength that is most honoured by all, and Hercules, Theseus, and Siegfried are the national heroes. Later on, conquerors like Alexander or Cæsar rise to fame; and still later a similar glory surrounds statesmen such as Richelieu, Pitt, and Bismarck. The time will come when mankind will reserve her esteem for those who have most contributed to her enlightenment, her morality, and her well-being.

8.—*Wars for Colonial Possessions.*—France and England, Spain and Holland, have waged long and bloody wars for colonies. But nations at length begin to understand that colonies are now-a-days only a source of difficulty and weakness to the mother country.

No colony, except Java, yields a net profit after the cost of the troops and fleet necessary for its defence has been deducted from the gross revenue. Colonies are therefore seldom of advantage to the tax-payers, and they are generally the cause of increased taxation.

Besides, it is no longer the doctrine that colonies are to be treated as conquered countries, from which tribute is to be gathered. Holland has made railways with the net revenue yielded by Java; but this comes of the mother country looking upon itself as the owner of the soil, in accordance with Mohammedan principles, and a powerful party has arisen which seeks to establish

the injustice of the system, and to prevent the fruits of Javanese labour being confiscated to enrich Holland.

Ideas of liberty and of equality will spread in every direction, and it will soon become impossible to govern colonies according to the old despotic system.

Colonial questions, on the other hand, are apt to throw the business of parliamentary government into confusion, and the interior administration of the mother country often suffers from difficulties which have arisen at the antipodes. This is actually the case in Holland.

Parliamentary assemblies are seldom capable of governing distant colonies; because, in the first place, they are not chosen for that object; and, secondly, because most of the members know absolutely nothing about colonial questions. Absolute power cannot be given to the executive, and yet the imperial assembly is incapable of exercising any useful supervision. The whole colonial system is a legacy of the old order of things. It requires a despotic authority to carry it out, and in these days the continuance of despotism can nowhere be tolerated.

In the case of a colony peopled by Europeans, like Australia or Canada, it may be left to govern itself; but then what is the use of bearing the responsibility of a government in which one has no part? Colonies no longer offer even the advantage of a privileged market, for they impose import duties on the produce of the metropolitan country. Let their independence be proclaimed; they will buy as much from the mother country, and will no longer expect to have soldiers and ships sent out for their protection.

The possession of colonies is an anachronism, in opposition to the ideas, the institutions, and the interests of our times. This anachronism will disappear—it is visibly disappearing; but it may yet cost heavily to those who prolong it.

See what harm the possession of Algeria has already done to France. Algeria costs, after deducting what it brings in, more than fifty millions of francs a year;

which added up during forty years, comes to two milliards of francs. Had this sum been expended on public instruction, what incalculable power would have been developed in a country so favoured in every respect as France is. How many universities, colleges, and men of learning, might have been endowed with this colonial budget? One might have thought that the only advantage the French derived from the ungrateful task they had undertaken of conquering, governing, and, in case of need, smoking out the Arabs, was to form a good army, by means of the permanent fighting which was kept up in Africa. It turns out now that it is in Algeria the French army acquired the faults and vices which have led to its ruin.

The soldiers who were in the habit of fighting the Kabyles were found admirably trained for shooting down the citizens of Paris on the boulevards, but little fitted to repel foreign invasion at Metz and Sedan.

It has been said that Prussia will, sooner or later, make war to get possession of the colonies of Holland. I would suggest that France had a means of making Prussia pay dearly for the conquest of Alsatia; it was to give up at the same time Algeria as a cause of weakness and ruin. Oh, Frenchmen! borrow compulsory education from the Germans, and give them Algiers in exchange, and you will be avenged.

Henceforth every clear-sighted government will refuse to acquire new colonies, and will try to get rid, by degrees, of all responsibility with regard to those it already possesses. The independence of colonies will diminish the causes of war; for as long as the interests of European nations come in contact in every part of the globe, the chances of war are multiplied.

Spain has been worn out and ruined by her colonies; France has suffered only injury from hers in India, America, the West Indies, and Algeria; and England has learned from experience to go far towards the complete emancipation of hers.

9.—*Wars for Influence over Other Countries.*—Modern governments have been prone to forget that

their first duty is to ensure peace, order, labour, welfare, and instruction to the people they govern. They have sought to exercise influence abroad; and as several states have the same ambition, their efforts have produced struggles of diplomatic skill, conflicts for preponderance, which have often ended in war, and always lead to armaments which are ruinous to the people. The Eastern question of 1840 offers a striking example of this.

France supported the Viceroy of Egypt, Mehemet Ali. England sided with Turkey, and had been skilful enough to obtain the alliance of the Northern powers. M. Thiers was for a warlike policy, and a general arming ensued. A general war would have broken out had not Louis Philippe, a wise and unappreciated king, given way.

What was really at the bottom of this quarrel? Nothing but a struggle for influence. What did it signify to the French or the English whether Mehemet Ali had Syria? And yet it was for this that nations were going to butcher each other.

In order to augment the influence of France in Spain, Louis Philippe wished his son to marry a Spanish Infanta. England opposed the marriage, and a breach followed. M. Guizot succeeded in accomplishing the Spanish marriages. Of what advantage have they been to France?

Marshal Prim, having perhaps settled it with Count Bismarck, sought to get the Prince of Hohenzollern elected King of Spain. Napoleon III. was indignant. A Prussian prince on the throne of Charles V.! Impossible! Rather war than that! It *was* war, and France has been crushed, mutilated, and ruined, for a long time to come.

What was it to the French whether it was a prince of Hohenzollern or a prince of Savoy that reigned at Madrid? He would most probably have been so ill at ease there, that he would, after a time, like the Prince of Roumania, have asked leave to go home.

This striving after influence abroad is the hollowest and most detestable of chimeras. England is almost

cured of the mania. France is still suffering from it; and one must read M. Guizot's Memoirs to know how far it may be carried.

Since 1815 the whole foreign policy of France has had but one object in view—to maintain and extend what was called her "legitimate influence."

Even after the conclusion of the sad peace which put an end to the unfortunate war to prevent a Hohenzollern from sitting at Madrid on what is called the throne of Charles V. Frenchmen are still thinking of the influence to be exercised abroad. Some day, they say, we shall again possess our "legitimate influence" in the world.

England was lately all-powerful at Constantinople. It only led to her spending three milliards of francs in the Crimea, for a result which is now completely annulled. Why does France keep up a formidable navy? Is it to conquer and annex England? or is it to defend her colonies, which, all put together, are not worth the price of the fleet?

Everything is sacrificed to maintain influence, and a nation considers itself utterly wretched if she ceases to be a first-class power! And yet, are not states of the fourth order the most free and the most happy? Look at Switzerland, Belgium, and Holland. A sensible man might often, as things go, lament being the citizen of a great power, and wish to belong to a microscopic state, such as the republics of San Marino and Andora.

A country should, of course, try to exercise influence on its neighbours, but not by demonstrations of iron-plated ships, cannons, and rifles. A really useful and salutary influence consists in discovering new truths, spreading sound ideas, and exercising liberty. Had France, after 1789, instead of increasing her territory and conquering Europe, been able to establish a free government and effect a disarmament, without trying to counteract the influence of England, of Russia, or of Prussia, she would now be the richest and the happiest country in the world, and she would occupy the first place on the Continent by having given the example which other nations would have followed.

How are the nations that are still possessed by the mania for "influence" to be cured? By showing what disasters it has brought on. The English press has already done much towards this. True, even in the English House of Commons one may hear Continental newspapers, notorious for their antiquated notions on the subject, appealed to to prove that England has lost her influence.

But look at America! She has no longer an army or navy, and her maxim is not to interfere in the affairs of Europe. Yet what state exercises more influence?

Let England seek influence in spreading the ideas of political and international justice, condemning all ideas of war and of conquest, and in proving that representative government is the best fitted to ensure the happiness of nations. This is the course England now pursues, and its reward will be that wars for foreign influence will cease before long, though one dare not predict that we have seen the last of them in 1871.

10.—*Wars arising from Imperfect Political Institutions.*—Wars must necessarily be more frequent under a despotic government than under a parliamentary one. The reason of this is easily seen.

A despot has little to fear from war, even should it be unfortunate. It does not affect his personal welfare; his income is not diminished, although he lose a province. His vanity alone may perhaps suffer. Even a fortunate war, on the contrary, causes great sufferings to a victorious nation; trade is stopped, industry is interrupted, the taxes are increased, deaths are multiplied, families decimated; and all these misfortunes, as well as the sufferings of the sick and the wounded, press heavily on every class of the nation. As to the invaded and conquered people, who can tell what it has to suffer?

Thus, as nations have nothing to gain and much to lose by war, they will be more chary of beginning them than sovereigns, who have nothing to dread and much to hope from them.

Wars will not cease as long as they shall depend on the will of a single man; for nowadays, as formerly,

all the passions that fill the human heart—vanity, ambition, cupidity, love of glory, and restlessness—may occasion conflicts between kings.*

In order that representative government should preserve a nation from war, it is not sufficient that the Parliament should be elective. It should also really represent the nation; and the nation itself should be sufficiently enlightened to perceive what is injurious to it: the Chamber should likewise be composed of men independent and reasonable enough to resist the influence of the executive. In no great Continental country are these conditions fulfilled. In Prussia, as in France, the government can always obtain a vote for war, either by appealing to a feeling of excited patriotism, or by placing the honour of the country in an apparent state of jeopardy.

It would be in vain to make it part of the constitution that the right of declaring war or of making peace should be reserved to the Chamber. The government would always manage to obtain any vote it wanted.

England and the United States are the only countries in which representative government is so thoroughly established as to offer a guarantee for peace.

A country which has not yet felt the want of liberty, and which is despotically governed, may avoid war, if the sovereign be humane and pacific—as Russia, for instance, under Alexander II.—but when despotism exists in a country wishing for liberty, it must lead to war, even should the sovereign and the nation not desire it. The sovereign, feeling that his authority is threatened by opposition, will hope to create diversions abroad. The nation, being discontented and irritated at

* In 1671, Sir William Temple, speaking of Louis XIV., gave precisely the motive from which the war of 1870 sprang:—"If there were any certain height where the flights of power and ambition use to end, we might imagine that the interest of France were but to conserve its present greatness, so feared by its neighbours, and so glorious in the world; but besides that the motions and desires of human minds are endless, it may be necessary for France to have some war or other in pursuit abroad, which may amuse the nation and keep them from reflecting on their condition at home, hard and uneasy to all but such as are in pay at the court."—"Survey of the Constitutions, &c.," quoted by Mr. Leslie in *Macmillan's Magazine*, September, 1860.

having no influence over its internal affairs, will busy itself with what is happening abroad, and will there expend the activity which has been stifled at home. Foreign expeditions will become a necessity for the sovereign, and the consolation of the nation.

Such was the situation of France under Napoleon III. It was always said that before he allowed himself to be upset he would risk one great war; because, even should he be beaten, it would be better for him to fall before a triumphant enemy than through unpopularity; and should he be victorious, he would secure his throne and his dynasty.

The chances of war will decrease as representative government becomes more perfect, and as it exercises a more decisive influence on the resolutions of the executive.

The constitutions of all free nations should reserve the right of declaring war and making peace exclusively to their Parliaments.

This stipulation, it is true, can hardly prove entirely efficacious, for it is useless in a country which has attained its majority, and in a country still in its infancy it would generally prove ineffectual. But cases may occur in which this precaution may operate as a veto on war, and for that reason it should be adopted.

11.—*War arising from the Duties of Neutral States.*—England has been involved in war on several occasions with the maritime powers, by conflicting interpretations of the duties incumbent on neutrals, and quite recently these questions have disturbed her relations with Germany and America. Difficulties and conflicts, arising from the construction of the duties of neutral powers, threaten to become more frequent, for two reasons: because international commercial relations acquire daily increasing importance, and because it is impossible to check them without provoking the most angry feelings. And, further, because the general sense of what nations owe to each other becomes more exacting, and is offended by occurrences which formerly would have given rise to no objections. These

difficulties, conflicts, and dissensions arise because the rights and duties of neutral powers have not yet been defined by an international treaty. The relations of nations to each other are still in that state of barbarous anarchy in which primeval men lived, before laws had regulated their intercourse by the exigencies of justice. Their acts are therefore all liable to lead to quarrels, for there is no way of distinguishing with precision what is legal and what is not. No one can decide what one nation is entitled to claim, or rather to concede. Imagine a people existing under such a state of things; neither life nor property would be secure. There would be daily fights and quarrels. Thus nations, whose friendship should be unalterable, are constantly threatened with conflicts.

England allows the exportation of arms, Prussia protests, and the question is asked whether the exportation of weapons of war to belligerents is compatible with neutrality.

A French ship, the *Desaix*, captures a German vessel, the *Frei*, near the English coast. The English pilot declares that the prize was captured in neutral waters, and Prussia calls upon England to cause her neutrality to be respected, by demanding the restitution of the captured vessel. The English Government replies that, since the French captain declares the prize has been made in the open sea, the French tribunals must decide the point of fact. The Prussian Government rejects this solution, as it cannot appear before the tribunals of the enemy, and quotes the precedent of Portugal, who ensured the respect of the neutral waters on her coast without waiting for the decision of the French courts. Who is in the right and who in the wrong?

A neutral state cannot allow its ports to be used by a belligerent for the fitting out of privateers. Is a neutral responsible for insufficient supervision, and how far does that responsibility extend? If a merchant vessel sails from a neutral port, and receives on the high seas her armament and her crew, what are the duties and the responsibilities of the neutral government?

What is an effective blockade? What obligations does a blockade impose upon neutral powers? Ought all blockading not to be renounced, as Cobden proposed? What cargoes ought to be considered contraband of war? What are the limits of the right of search? Can an enemy be seized on board a neutral ship? Has a belligerent any right to requisition neutral property, provided indemnity be paid, as was done by the Prussians when they sank English steamers to bar the navigation of the Seine? May neutral vessels carry coal and provisions for the use of belligerents?

Can a neutral state allow belligerents to pass through its territory? What are its duties if preparations are made on its territory to reprovision a besieged fortress, or to facilitate the escape of prisoners, as was complained of by Prussia in the case of Luxemburg?

When a neutral bay is more than six miles in width, has a belligerent a right to pursue and fight his enemy's ships in it? A hundred questions of this nature could be quoted, that have given rise to grave disputes, and might lead to war. Is it not a disgrace to humanity that civilised nations should not yet have come to an understanding to settle these doubtful points by common consent? Is it not time to agree to a code of international law, which need be imposed upon no one, but which would become law among nations freely adhering to it, as was done in 1865 by the monetary convention between France, Italy, Switzerland, and Belgium, and which has been since agreed to by Spain and Greece?

Questions concerning the duties of neutrals are among those which threaten most seriously the future peace of the world, and at the same time are of all questions those which could be most easily regulated so as to avoid all future danger of conflict. We shall have to return to this subject.

12.—*Wars arising from Accident.*—Man, like all carnivora, is always prone to fight. He not only fights for solid advantages—for a prey, for riches, for territory—he also fights without a cause; I mean for the point of honour.

Suppose that two cavaliers meet in a narrow pathway: they are of equal rank; neither of them will give way. They challenge each other, and one of them is killed. Nations still resemble these duellists.

The war which broke out between Spain and England, in the last century, "about Jenkins's ear," as Carlyle has wittily called it in his "Frederic the Great," is the type of those wars which have no other reason but the folly and ferocity of man.

Wars as unjustifiable have broken out in our time. Was not "the question of the Holy Places" the occasion of the Crimean war? The cupola of the Church of the Holy Sepulchre was out of repair. The Greek monks claimed the right of repairing it. The Latin monks disputed their rights. They quarrel and come to blows. Russia supports one party, France the other, and diplomatic imbroglio begins, which ends in a frightful war without result. Napoleon III., it is true, happened at the same time to be in want of laurels to adorn the throne of the 2nd December.

Between Vancouver's Island and the American continent lies an island, of which the name was unknown, and which was without any value. The United States and England both claim its possession, and it is occupied by the troops of both. This has become an ever imminent *casus belli*; for during fifteen years an American and an English company mount guard in sight of each other. Should two soldiers quarrel, and fire off their muskets, a war might ensue which would redden the seas with blood, and would throw back the progress of liberty half a century.

Shall we recall the blockade of Greece by the English fleet, the anger of France, the excitement of all Europe, about the furniture of Don Pacifico? There is no limit to the number of conflicts that have sprung from chance, been followed up by pride, and too often decided by brute force.

So long as men are not much more rational beings than now, disputes of this kind must be liable to spring up at any moment. Inasmuch as they are exclusively

due to want of wisdom on the part of nations, nations have but to grow wiser and such causes of quarrels will disappear. But how many ages may have to elapse ere mankind attains to that degree of wisdom? However, if it be impossible to prevent such differences from arising, it would, nevertheless, not be difficult to prevent them from resulting in wars. To this end there are means which we shall proceed to consider.

II.

Of the Means of Lessening the Chances of War.

1.—*Can the Chances of War be lessened?*—Many persons, and, as a rule, those of most experience, answer in the negative. Wars, they say, arise from the passions of human nature. These are not decreasing, either in number or strength; there are as many of them in the hearts of men now as there ever were. Civilisation, while enlightening the intellect, does not quench the passions, but only furnishes them with additional means of satisfaction and additional instruments of war. The last phase of progress is the manufacture of the most destructive machine, and the great problem everywhere is how to slaughter the largest number of men in the shortest period of time. "The natural state of man is war," says Cicero; "*Homo homini lupus*," adds Hobbes. This opinion I look upon as altogether superficial. Mankind is drawing more and more away from the state of war, and getting nearer and nearer to a state of peace; but the progress is slow, and interrupted by many periods of apparent retrogression. Through one of these we are passing at this moment.

The heart of man does not change, but his ideas do; his passions remain the same, but as the institutions in the midst of which they work undergo modification, the actions to which they give rise will vary in like manner. Man is before all things selfish. The instinct of self-preservation which pervades all animal life, from the

infusoria to the human being, impels to the pursuit of whatever is useful to self, without regard of the consequences to others. Self-interest is the great moving power of the whole living world; it develops itself even in the plant. Hence you will never transform men into heroes of self-devotion, but you may make it their interest to be just by punishing injustice and crime. Because man is selfish, you have but to convince him that to do evil to others is to harm himself, and he will refrain.

The savage slays the man who disputes his possession; the civilised human being summons him to a court of justice. Each follows his interest in the manner that seems to himself most advantageous. Nations act like savages, because there is no tribunal to do justice between them. Establish the tribunal, and it becomes their interest to submit their differences to it, instead of slaughtering one another.

Man is a sociable being, otherwise society could not have come into existence. The social sentiments of man's nature created first the family, next the tribe, and then the nation; they are now preparing the formation of an universal society.

In the Age of Stone individual fought against individual, as they do to this day in Australia. At the next stage tribe fights against tribe, clan against clan, as in the heroic ages of Greece, in the Middle Ages, and in our own time in the prairies of the Red Indian. In modern war nation has fought against nation, irrespective of ethnological origin; and now we are witnessing the beginnings of a new evolution. The peoples are gathering into great families, and will fight race against race. "*In societate civili aut vis aut lex valet,*" says Bacon. As the domain of law has swept larger circles, the less frequent have become the collisions of force, but at the same time the more terrible. At first it was a single combat between man and man; it is now an encounter of millions with millions.

Yet the very development of war on so gigantic a scale prepares a world of peace. Mr. Cliffe Leslie has

eloquently described the irresistible movement:—"There is in the aggravated perils of Europe no ground for alarm about its final destinies. Law is not the child of natural justice in man; it is compulsory justice. Violence, inequity, quarrel, and the general danger, are its parents; as pain and disease have called into existence the physician's art. The more frequent the occasions of international dispute, and the more awful their consequence, the more speedily does legal arbitration naturally, necessarily arise. Already we may discern in the womb of time an infant European senate, and the rudiments of European law. And, as the plot thickens, as nations come closer together in order of battle, as they confederate for conquest and defence, European unity gains ground. The fear of France unites Germany; the hatred of Austria consolidates Italy; and the question of the East, even if it must be answered by the sword, promotes the final settlement of the great question of the West—the frame of the future polity of Europe." *

Self-interest, which ushered war into the world, ends its evolutions in universal peace. The cannibal had his immediate interest in combat; he feasted on his conquered foe. The Greeks and Romans won territories and slaves by making war, which with them was man-hunting brought to perfection, just as the domestication of animals was an improvement upon the hunting of wild beasts. The conqueror, instead of living on the flesh of the conquered, lived on their labour. To absolute monarchs, again, war still holds out advantages, gratifies their pride, and offers them glory, tribute, and subjects. But to nations, at the present day, war is always a calamity, even to the victors. Not to speak of the bloodshed and grief, the cost always exceeds the gain. If new provinces are annexed, no tribute can be levied from them; and thus the accession of territory in no wise lightens the burdens of the conquering nation or makes its life easier. The very apprehension of war

* "The Future of Europe Foretold in History."—*Macmillan's Magazine*, Sept., 1860.

augments taxes and public debt. How can nations do otherwise than ardently wish for peace?

Every country that seeks military success renounces liberty. In the spirit of passive obedience and discipline lies the strength of armies; criticism, discussion, and the assertion of lawful rights are the mainsprings of free institutions. In a country at war, or preparing for war, authority must be absolute; its proper sovereign is a general and a dictator. The spirit of conquest and the spirit of freedom are therefore incompatible. Force reigns with the one, reason with the other. And the war ended, victory ordinarily seals the subjugation of the victorious people; for Bonapartes are much more common than Washingtons. Seeing, therefore, that in every war nations must stake both their prosperity and their freedom, it is obvious that, if they have their eyes open, they cannot wish for it. But if no nation will enter on an aggressive war, none will have to stand on the defensive.

To ensure peace, then, only two conditions are requisite; that nations should understand their own interests in the matter, and that means should be found of settling unavoidable differences without resort to arms.

As regards the first point, nations have begun to understand how injurious war and preparations for war are to them; but many causes such as we have enumerated—historical grudges, race hostilities, colonial interests, revindication of natural boundaries, defective political institutions—cloud this perception, or render it inefficacious, save in America and England. These prejudices, passions, and false ideas can only disappear by degrees, with the progress of enlightenment and international trade. To further the movement, everything ought to be done to foster community of views and identity of interests among nations. Of the numerous measures that may be adopted for this end, we may confine ourselves to stating the most important.

1st.—Reduction of import duties, and treaties of commerce, and to that end, if possible, entire abolition of custom dues. Whatever insulates men

disposes to war; whatever brings them into relation with each other inclines them to peace. And nothing tends to secure such intimate relations between nations as commerce. It was by the Zollverein, *i.e.*, by the suppression of the custom-house barriers, that the unity of Germany was founded. The pacific influence of international exchange has been luminously set before the public in an essay published by the Cobden Club, on "Commercial Treaties, Free Trade, and Internationalism," bearing as a motto the admirable words of Mr. Gladstone: "The ships that travel between this land and that are like the shuttle of the loom that is weaving a web of concord between the nations." Nothing could show more clearly how commercial relations soften down feuds between nations than the effects of the Anglo-French Treaty of Commerce; ancient prejudicies have been dissipated, antipathies have disappeared as it were by enchantment.

2nd.—Reduction of tariffs for the conveyance of goods, letters, and telegrams, with a view to the greatest possible multiplication of the exchanges of both merchandise and ideas. Exchange is the basis of all society, as Prince Bismarck has well understood. On establishing the North German Confederacy, he brought about a reduction of the rates of carriage between the confederate states to the lowest possible figure. Elsewhere the efficacy of such a measure hardly seems to be sufficiently appreciated as yet.

3rd.—Adoption of a uniform system of coins, weights, and measures, and commercial laws; not only to facilitate business transactions, but also in order that such uniformity in matters of daily practical life may bring home to different nations a sentiment of community and unity.

4th.—The concession of equal civil rights to foreigners and to natives, in order that man may find his country everywhere, and a sentiment of universal brotherhood grow up by degrees in the stead of that of exclusive nationalism.

5th.—Instruction in foreign languages, and whatever

relates to the condition of foreign countries. It is just because nations do not know one another sufficiently that ancient hostilities continue to subsist.

6th.—Diffusion of books and works of art, as tending to dispose nations towards peace and to indispose them for war.

7th.—The support of representative institutions everywhere, and of all measures which tend to remove from the executive the power of deciding peace and war.

8th.—Industrial undertakings, by which the savings of one country are applied to develop the natural resources of other communities; so that capital may become cosmopolitan, and create a solidarity of the interests of capitalists everywhere.

9th.—Lastly, a true use of the pulpit, whereby the clergy might instil into the hearts of men that horror of war which is the very essence of Christianity, though not always, alas, hitherto of pulpit theology.

2.—*Means of Avoiding Certain Wars.*—Independently of the measures just pointed out, which, with many others that might be named, would have a general tendency to incline nations towards peace, there are means of preventing, not indeed all wars, as some enthusiasts hope, but certain wars.

1st.—The settlement of a code of international law, defining the reciprocal rights and duties of nations in time both of peace and war.

2nd.—The institution of a system of arbitration, to arrange such international differences as may arise. Let us consider, in the first instance, what may be done towards the introduction of an international code.

Beccaria remarked that international relations are several centuries behind the civilisation of the internal condition of states. In every country there are laws drawn up with the utmost clearness, and applied with the greatest possible justice. But for the external relations of nations there are no reorganised laws; and brute force decides in the last resort the differences that arise, as it did in the ages of barbarism.

Within each country, in like manner, before the establishment of laws and tribunals, the end of a dispute was a battle. By degrees compositions for injuries were admitted, and a moderated and regulated judicial combat substituted for the rude conflicts of earlier times. Next we find St. Louis, in France, and Henry II, in England, superseding the judicial combat by a legal trial. Nations have not yet advanced beyond the judicial combat in their external disputes. Each of the belligerents still invokes the favour of Heaven, and victory is supposed to crown the just cause, and God to be on the side of the strongest.

Even the ancients surmised that international relations ought to be regulated by certain principles of justice. Cicero, for example, speaks of such in his book "*De Officiis.*" To Grotius, however, the eternal honour belongs of having attempted in his treatise, "*De Jure Pacis et Belli,*" to formulate a code of international law. Puffendorf, Bynkershoek, Vattel, as well as English and American jurists, have since laid down rules to define the reciprocal rights and duties of nations. In the controversies momentarily arising, both parties appeal to these rules; but their authors contradict one another, and their principles are not universally accepted.* Upon these, therefore, it is impossible for the parties to take their stand; and hence they must either resort to force or leave the question in suspense, to create, like the Alabama case, a smouldering hostility almost as dangerous. Most disputes arise from the fact of there being no generally recognised rules. Were

* This was precisely the case in the Anglo-American High Commission for the settlement of the Alabama claims and fishery disputes. "Every lawful day the ten commissioners pass four or five hours engaged in long deliberations. Conversant with public discussions as conducted in England, Lord De Grey and his brethren confine themselves, I have no doubt," says the correspondent of an English journal, "to quotations of precedents and references of disputes to the great and acknowledged axioms or laws laid down by the illustrious lawyers of all times and countries. The American disputants, on the other hand, are always ready to argue that this or that controverted point is special and exceptional, and must not be discussed according to past experience or defunct precedent."—*Daily Telegraph*, March 30, 1871. An International Code and an International High Commission should get clear of all these difficulties. The eminent German professor, Bluntschli, has already published a code of international law.

there such rules, the differences themselves would be forestalled, and the necessity even for arbitration would rarely arise.

It is therefore indispensable that the problems of international law should be properly elucidated, and civilised nations induced to adopt the solutions arrived at. In this the governments of Great Britain and the United States ought to take the initiative, being the countries in which these problems have been most discussed. They ought to propose a congress of diplomatists and jurists, to which they should invite all other powers to send representatives, and which would have for its object to frame an international code. In the event of there being any differences of opinion, the majority should decide, each country having no more than one vote. In lieu of a *veto*, each of the participant powers should have the right to repudiate at once the obligation of any principle voted by the majority. The example set by the Paris Treaty of 1856 need but be followed. By this compact, the great powers agreed to forbear in future from issuing letters of marque. The United States proposed on that occasion the most liberal solution of the question—namely, that private property should enjoy absolute immunity from seizure, on both sea and land. Upon the other powers declining to accede to this proposal, America refused to give up privateering in cases of war.

The urgency of an understanding taking place among civilised nations with reference to these matters is becoming more and more apparent. Of late years we have had the Geneva Convention, to regulate the succour of the wounded in battle, and the St. Petersburg Convention, respecting the use of explosive projectiles. The question of the exportation of materials of war, and the one raised between England and Germany by the capture of the *Frei*, also call for a solution. The method most dignified, and least likely to clash with the *amour-propre* of the different states, is to submit such questions to a Joint High Commission of International Law, for examination and settlement. By such a commission the

independence of no power would be jeopardised, inasmuch as its decisions would be binding only upon such of these as should acquiesce in them; yet the meeting of such an areopagus would form a landmark in history. It would be a great step towards the realisation of the brotherhood of nations. The gratitude of posterity will accrue to the state that now takes the initiative in the matter. To the honour of the United States, it is to be remembered that the young republic had hardly been founded when it made an attempt of this kind. In a message addressed to the House of Representatives, on the 15th of March, 1826, with reference to the meeting of delegates of the American republics at Panama, for the purpose of framing a kind of international code, President Adams said:—

"It will be in the recollection of the House that immediately after the war of our independence a measure closely analogous to this Congress of Panama was adopted by the Congress of our confederation, and for purposes of precisely the same character. Three commissioners, with plenipotentiary powers, were appointed to negotiate treaties of amity, navigation, and commerce with all the principal powers of Europe. They met and resided about one year for that purpose at Paris; and the result of their negotiations at that time was the first treaty between the United States and Prussia, remarkable in the diplomatic annals of the world, and precious as a monument of the principles in relation to commerce and maritime warfare with which our country entered into her career as a member of the great family of independent nations. This treaty, prepared in conformity with the instructions of the American plenipotentiaries, consecrated the fundamental principles of foreign intercourse which the congress of that period was desirous of establishing:—First, equal reciprocity and mutual stipulation of the privileges of the most favoured nations in the commercial exchanges of peace; secondly, *the abolition of private war on the ocean;* and, thirdly, *restrictions favourable to neutral commerce upon belligerent practices with regard to contraband of war and blockades.* They were able to obtain from one great and philosophical, though absolute, sovereign (Frederick II. of Prussia) an assent to their liberal and enlightened principles.

"If it be true that the noblest treaty of peace ever mentioned in history is that by which the Carthaginians were bound to abolish the practice of sacrificing their own children, *because it was stipulated in favour of human nature,* I cannot exaggerate to myself the unfading glory with which these United States will go forth in the memory of future ages if, by their friendly counsel, by their moral influence, by the power of argument and persuasion alone, they can prevail upon

the American nations at Panama to stipulate by general agreement among themselves, and so far as any of them may be concerned, the perpetual abolition of private war upon the ocean. And if we cannot yet flatter ourselves that this can be accomplished, as advances towards it, the establishment of the principle that *the friendly flag shall cover the cargo, the curtailment of the contraband of war*, and the proscription of fictitious paper blockades—engagements which we may reasonably hope will not prove impracticable—will, if successfully inculcated, redound proportionably to our honour, and drain the fountains of many a sanguinary war."

But it would not be enough to have a code of international law; there should also be a court of arbitration, to settle future differences between governments that may have accepted the code. It may be said that all Europe, horrified by the dreadful wars that have of late years sprung up without any real cause, demands the adoption of some means of rendering the recurrence of such calamities impossible; and the means clearly pointed out by public opinion is a system of international arbitration.

The first point to be kept in view is that the Court of Arbitration would have no military force at its disposal for the execution of its decision; no more than the sovereigns who have from time to time been appointed arbitrators have ever thought of enforcing their judgments by power of arms. Otherwise, nations would cease to be independent; and a universal right of intervention, even in the most trifling difference between any two states, might give rise to a general war. We should find ourselves once more in the presence of a Holy Alliance on an enlarged scale—a very poor guarantee for the progress of liberty. Besides, no state is willing to be absolutely bound by the judgment of a court, whose decision might imperil its prosperity and its very existence. It is here that the utopian side of the schemes of philanthropists has caught the eye of statesmen, who discern a real danger to which the former have been blind.

The hour will arrive for the establishment of a federation of nations with a Supreme Court like that of the United States, the decisions of which will be

carried out by authority; but it is not yet come. True civilisation, true Christian sentiment do not as yet exert a sufficient general and undisputed sway over nations.

The High Court of Nations ought to be composed of the diplomatic representatives of the concurring powers, assisted in their labours by jurists versed in the international law. To prevent the susceptibilities of any great state from being hurt, it should have its seat in the capital of some small neutral country, such as Belgium or Switzerland. It should be permanent, as regards its formation, although it would sit only in the event of there being a difference to be settled. The court would be established by virtue of the special treaty promulgating the code of international law. It is important that it should hold a lofty position, to attract the attention and respect of the world; so that the pressure of the public opinion of nations might be brought to bear upon any state that should seek to evade the obligation of submitting a difference to it. Had the public known that the 23rd protocol of the Treaty of 1856 morally compelled France, in her quarrel with Prussia, to call in the good offices of the other powers before resorting to arms, its voice would probably have forced the French Emperor to take that step, and the war might have been averted.

The principle of non-intervention in domestic affairs having been laid down in the most absolute terms, the court might take cognisance of all international differences, and give judgment upon the merit of each case; no other proviso being necessary than that its sentences should not be carried into execution by force.

3.—*Benefits Accruing from the Establishment of an International Court of Justice.*—We now propose to show, 1st, That the establishment of an International High Court, with the restrictions indicated above, would be in keeping with the wants of our age; 2nd, that it would soon be recognised by the majority of civilised nations; and, 3rd, that it would be an immense boon

to mankind at large, and actually mark, as it were, the dawn of that era of peace of which all right-minded men are dreaming, and which is, in truth, the destiny of our race.

1st.—The moral sentiment of mankind has been so much revolted by the spectacle of the dreadful war that has just come to an end, that an ardent desire has arisen on all sides for peace and pacific institutions. The speech delivered by the German Emperor on the opening of the first Parliament of united Germany, and the address voted in reply to it, are a kind of homage rendered to peace, showing what power peaceful sentiments may exert even upon men of war and a nation in arms.

On the 12th of June, 1849, Cobden, ever solicitous about whatever might establish harmony among mankind, made the following motion in the British Parliament:—

"That an humble address be presented to Her Majesty, praying that she will be graciously pleased to direct her principal Secretary for Foreign Affairs to enter into communication with foreign powers, inviting them to concur in treaties binding the respective parties, in the event of any future misunderstanding which cannot be arranged by amicable negotiations, to refer the matter in dispute to the decision of arbitrators."

Cobden explained and advocated his proposal with his accustomed clearness and force of logic. It was supported by Messrs. Hobhouse, Milner Gibson, Roebuck, and Joseph Hume. Lord Palmerston and Lord John Russell, while approving the motion in principle, opposed it as impracticable at that time. Lord Russell said "that he could not approve the policy of inserting in every treaty they had with a foreign power a clause providing for arbitration in any case of dispute, because he believed that such a clause would not tend to the object which the House had in view." Yet shortly afterwards a proviso of this very kind was inserted in a treaty which England concluded. The Treaty of 1856 contained the following clause:—

"If there should arise between the Sublime Porte and one or

more of the other signing powers any misunderstanding which might endanger the maintenance of their relations, the Sublime Porte, and each of such powers, before having recourse to the use of force, shall afford the other contracting parties the opportunity of preventing such an extremity by means of their mediation."

The 23rd protocol of the Paris Conference has also the following:—

"The plenipotentiaries do not hesitate to express, in the name of their governments, the wish that states between which any serious misunderstanding may arise should, before appealing to arms, have recourse, as far as circumstances might allow, to the good offices of a friendly power. The plenipotentiaries hope that the governments not represented at the Congress will unite in the sentiment which has inspired the wish recorded in the present protocol."

The arbitration plan advocated by Cobden would thus appear to be so very consonant with the ideas of our time as to have already forced itself upon European diplomacy, after being rejected in the British Parliament as impracticable.*

The reference of disputed points to the judgment of a foreign sovereign has very frequently occurred during the last half century. The parties at issue have always submitted to his decision, and thus wars have been avoided. In Cobden's words—

"There was a case in which a dispute between France and the United States had been referred to England; a case in which a dispute between the United States and England had been referred to Russia; a case in which a dispute between the United States and Mexico had been referred to Prussia; a case in which a dispute between the United States and England had been referred to the King of the Netherlands; and all those cases had been eminently successful."

More recently a dispute between England and Brazil was referred to the King of the Belgians, and one between Spain and Egypt was referred to England. Lastly, we have the recent Treaty of Washington,

* The result of the division on Cobden's motion was:—

For the previous question . . .	176
Against it	79
Majority against the motion . . .	97

which will form an epoch in the history of international relations. According to this treaty, the Alabama claims are to be referred to a Court of Arbitration composed of five members, one to be nominated by the United States, one by Great Britain, one by the President of the Swiss Confederation, one by the King of Italy, and one by the Emperor of Brazil. This tribunal is to decide whether England did, in the Alabama case, fulfil her duties of a neutral power; and if not, to assess the amount to be paid by her as damages. Other disputed claims are to be submitted to a court of three arbitrators, one of whom is to be appointed by England, another by the United States, and a third either by mutual agreement or by the King of Spain. The amount to be paid in consideration of the concessions made by England in connection with the Canadian Fishery question is to be determined by a commission of three members, two appointed respectively by England and the United States, and one either by mutual understanding or by the Emperor of Austria. The San Juan Boundary difference is to be decided by the German Emperor as an umpire.

Before leaving America, two of the British members of the Joint High Commission by which the Treaty of Washington has been framed took opportunity to signalise the importance of that convention. "Here," said Lord de Grey and Ripon, "in a public instrument between the two countries, was the first important consecration, in connection with burning questions that might have led to the worst consequences, of the great principle that nations, like men, are bad judges of their own quarrels. He believed the principles contained in the treaty would have a large influence in the world in the cause of the greatest earthly blessing—Peace. Was there a man who did not feel that anything that would remove international disputes from the fatal arbitrament of the sword is indeed a step in the advance of humanity?"

And Sir Stafford Northcote added: "There had been international disputes from the beginning of the civilised world, and there would be until the end of it; and these must be settled somehow. We had had terrible wars in

our generation, and no one could say that he believed he saw the close of the period of warfare among nations; yet he, without being so sanguine as that, believed we were coming to an epoch which our posterity might look back to as an epoch—the epoch of the policy of the peaceful settlement of international disputes—an epoch that might render wars far from as frequent as hitherto. The most frequent wars were those arising from misunderstandings and from a false sense of international honour, and this was the class of wars that he believed might be prevented by peaceful methods of settlement. Some held that diplomacy was useless, but he believed that modern diplomacy, if conducted upon the right principles, might be of the highest value to nations, by preventing misunderstanding. He believed this was a case where, by removing misunderstanding and preventing people from coming into conflict, modern diplomacy had done a good work. National honour did not consist in not acknowledging wrong, or never admitting a mistake, because of the fear that it would be said it was done from an unwillingness to face the consequences; but, like true personal honour, it consisted in being ready to do justice in all things; to maintain your own rights and to recognise the rights of your opponents; and just to go so far beyond mere justice that, when the point was doubtful, you would rather give it against yourself than for yourself."

The Treaty of Washington is an event on which all humanity may justly congratulate itself—first, because it restores harmony between the two great branches of the race that represents freedom in the world; and, next, because it gives an authoritative sanction to the principle of international arbitration. Doubtless, the United States and Great Britain obey in this, dictates of justice, of well-understood interest, and of reason, which exercise but too feeble a sway over other nations; and, on that very account, the continent of Europe has not understood the whole importance of the Washington compact. Nevertheless, such an example will not be lost; it will bear its fruit in the future.

But to ensure the general adoption of arbitrators, a High Court of Nations must needs be established, for the following reasons:—

First; the decisions of the jurists representing the various powers would be more thoroughly considered, and thereby gain in authority. If an appeal to the court were once recognised as a moral obligation, no state in the event of a difference would have to propose arbitration—a step which might be attributed to fear, and which certain warlike states might consider derogatory to their honour. This consideration is obviously one of the highest moment.

Secondly; it devolves on me to show that the system of reference would soon be accepted by most states. Lord Palmerston, replying to Cobden in 1849, said that no country would bow to the arbitration of a high court. But the clauses of the Treaties of Paris and Washington prove, on the contrary, that the great powers are disposed, before going to war, to submit their differences to the consideration of an areopagus of the European courts, which is very nearly akin to the system of a high court. Napoleon III. must now feel mortal regret at not recognising in 1870 the obligations of France arising out of the Treaty of 1856. The dreadful disasters which have punished the neglect of those obligations show clearly how useful those clauses were capable of proving. Had these been complied with, how many misfortunes would France, how much blood would Germany have been spared? The lesson has been terrible enough to be recollected in future.

There is at least one country which would agree to the system of arbitration by a high court—namely, the United States. They would accept it, on the one hand, because they have always been the first to uphold the most equitable and humane principles in matters of international law; and on the other, because the very idea of a High Court of Reference is originally an American one. William Penn published in 1693 an "Essay on the Present and Future Peace of Europe," in which he urged the plan of a general congress for the settle-

ment of international disputes, and in which, referring to the "great design" of Henry IV., he says: "His example tells us *that this is fit to be done.* Sir William Temple's 'History of the United Provinces' shows, by a surpassing instance, *that it may be done;* and Europe, by her incomparable miseries, *that it ought to be done.*" * The Abbé de St. Pierre, whose ideas J. J. Rousseau has so eloquently summed up, proposed a "*Projet de Paix perpétuelle.*" All the sovereigns of Europe were to agree on forming a Diet to decide on differences and enforce respect for its decisions by arms. This was tantamount to the establishment of a universal federation of the United States of Europe by mediatising the sovereigns; and therefore the reluctance of these to adopt such a proposal is easily understood.

The American Peace Society was organised in the city of New York in 1828. In the circular letter the founders of the society say:—

"We hope to increase and promote this practice already begun, of submitting national differences to amicable discussion and arbitration, and finally of settling all national controversies by an appeal to reason, as becomes rational creatures, and not by physical force, as is worthy only of brute beasts; and this shall be done by a *congress of Christian nations*, whose decrees shall be enforced by public opinion, as it now is, but by public opinion when it shall be enlightened by the rays of the gospel of peace."

The movement in favour of this idea soon gained in importance. For its organ it had a paper called the *Harbinger of Peace.* In 1835 the matter was brought before the Legislature of the State of Massachusetts by a petition, praying for an expression of opinion on the subject of a Congress of Nations. A special committee of the Senate made a report favourable to the petition, and the following resolutions were passed:—

"Resolved, That, in the opinion of this Legislature, some mode should be established for the amicable and final adjustment of all international disputes, instead of resort to arms;

"Resolved, That the Governor of the Commonwealth be requested to communicate a copy of the above report, and of the

* "Essay on a Congress of Nations." By William Ladd. Boston, 1840.

resolutions annexed, to the Executive of each of the States, to be laid before the Legislature thereof, inviting a co-operation for the advancement of the object in view."

In 1837 a petition from the committee of the Massachusetts Peace Society was presented to the Legislature, and a joint committee of the Senate and House of Representatives made a very able and lengthy report * on this petition. The report, with the resolution appended, similar to the former ones, was adopted by the Senate and the House.

In the midst of the political struggles of the time, the question was not properly understood by the public powers. The New York Peace Society having addressed a petition to Congress, it was very well received by President Adams, and supported by Mr. Clay; but its motive being suspected to be that of opposition to the annexation of Texas, it was not met in the spirit in which it would have been had not its object been misinterpreted.

In 1816 an association was established in England called the Society for the Promotion of Permanent and Universal Peace, which somewhat later had for its organ a paper entitled the *Herald of Peace*. This association adopted the idea of a Congress of Nations, and in 1835 addressed a petition in this sense to Parliament, in which the following passage is to be noted:—

"Your petitioners take the opportunity to state that they have been strongly urged by the American Peace Society, in consequence of the dispute now existing in reference to the boundary line between

* The committee says in this report: "The committee are fully persuaded that pacific principles are gaining ground. Mankind are more and more convinced that wars are generally waged, not only without necessity, but even in defiance of wisdom and humanity. They are more and more inclined to believe that something founded in the pride or ambition or deep-laid policy of rulers is commonly the great stake, rather than the interests of their subjects. And, finding that the objects held out as pretexts for hostilities are rarely, if ever, accomplished, or, if gained, at a sacrifice with which the amount of benefit sinks to nothing in comparison; just views of the interests of man are leading the more intelligent to count the cost of these great games of princes and statesmen, which are played at infinite expense, expense not only of individual and national wealth, but of domestic happiness and of public morals; and, above all, expense of human life, the value of which is not a subject for computation."

the United States and the British territory, to unite with them in endeavouring to allay all angry passions and excited feelings on a subject which ought to be decided by sound judgment and calm deliberation, and to use all constitutional means to prevent the outbreaking of war between two countries bound together by so many ties of principle, affection, and interest."

Already in 1830 M. de Sellon had founded a Peace Society in Geneva; and in 1841 a Peace Committee was formed by the Paris *Société de la Morale Chrétienne*. Then came the International Peace Congresses. The first met in London in 1843, and adopted an address to all civilised governments, requesting them to insert in all their treaties a clause binding them, in the event of differences, to appeal to the mediation of one or more friendly powers. From this proposal the 23rd protocol of Paris of 1856 has sprung. When King Louis Philippe received the address, he said: "Peace is the want of all nations, and, thank God, war is at the present day too costly to be readily entered on. I am convinced the day will come when the civilised world will wage no more wars." The President of the United States replied that the nations have only to be instructed, and to be allowed to enjoy the rights of citizens, and they would demand peace as indispensable to the maintenance of their prosperity.

In the United States the influence of the friends of peace gained more and more ground, thanks to the efforts of a single-minded man, Elihu Burritt, who had abandoned the trade of a blacksmith to become the apostle of the ideas of brotherhood. When Burritt went to England in 1848, to kindle among the friends of peace the fire of his own zeal, he was enthusiastically received by the small gathering of enlightened men, headed by Cobden and Bright, who were striving to bring about harmony among nations by a solidarity of their joint interests. From 1848 to 1851, four Peace Congresses were successfully held at Brussels, Paris, Frankfort, and London; and their eloquent appeals had no small effect on public opinion. All these assemblies adopted the principle of arbitration.

In 1852 Europe entered unhappily upon that period of violence and reaction which has just ended in the catastrophes of 1870 and 1871; and the idea of peace was stifled, as it were, in the continual din of conflicts and armaments. And yet, even during this unhappy period, two events demonstrated that the mediation of neutrals, if accepted in time, would avert the visitation of war. In 1867, Prussia and France were on the very verge of a collision on account of the Luxemburg question. A Prussian army corps was already massed at Trèves, and Moltke announced he would lead his army under the walls of Paris in three weeks' time. Although France had not yet changed her small arms, she was bent upon accepting the challenge. It is in the recollection of all how the threatening storm was allayed by the skilful intervention of England. Thanks to the firmness, prudence, and fair dealing of Lord Granville, and to the mediation of the neutral powers, the difference between Russia and the signataries to the Paris Treaty of 1856 has been adjusted in the same manner. Had Napoleon III. accepted the proffered mediation of the British Cabinet in July, 1870, all the catastrophes we have witnessed might have been avoided.

From what precedes, it may, I think, be concluded that a system of international arbitration might be adopted, both as the ground of precedent and on that of the general tendency of the public mind.

4.—*The Utility of Arbitration.*—To show how useful arbitration is, I need not employ many words.* I will confine myself to recalling two facts. In 1861 the ministers of the American States then in insurrection, Messrs. Mason and Slidell, are seized on board the English steamer *Trent* by an American vessel. England demands their immediate release. The press of the United States is indignant and menacing; but the government gives way, because it feels that it is in the wrong. Would it not have been an immense advantage to it to

* However, I have given in the Appendix the report presented to the Senate of Massachusetts on the 26th of February, 1837, in connection with this subject.

have yielded to the decision of a court of nations, instead of to the threatening demands of England? So with the Alabama affair; how much better would it have been for England to have referred the case to an international authority than to have to adjust it with an offended government, much under the sway of party exigencies? Both these disputed questions would have been settled without delay; inasmuch as neither party would have had its pride humbled, or been forced to make a concession against its will.

I have nothing to say to him who cannot see what these two examples teach. Facts are stronger than words.

5.—*Objections Answered.*—We have now briefly to consider certain objections to the principle of international arbitration.

In the first place, it is objected that inasmuch as the decisions of the high court are not to have the sanction of physical force, they will have no validity. There are doubtless, certain questions which cannot at present be settled by arbitration, because they bring all the passions of a nation into play; such as, for instance, the revindication of Metz by France, the Polish question, or the Sclave question. Were the people wise, or possessed of a clear understanding of their own interests, all these difficulties might be removed without conflict or war; in the barbarous condition in which we are still groping, we cannot, unfortunately, hope for such a solution. But such controversies as the Alabama case, the Canadian Fisheries, the San Juan question, the Holy Sepulchre dispute, the Pritchard case, and many others by which the good understanding of nations has at times been disturbed, with no vital interest involved, might be adjusted by arbitration; for whatever the decision might be, it would be more advantageous to bow to it than go to war.

In most quarrels the matter at stake is not worth the cost of one day's mobilisation of the armies; but the state which might otherwise give way fears the loss of authority, and exposure to future insults. Thus each

is led to carry every difference to the last extremity. International arbitration, on the contrary, would leave the honour of both parties safe, and thus ensure peace, while in no way affecting the dignity of either litigant. The seizure of Messrs. Slidell and Mason was of little importance to England, but a principle was at stake—namely, the rights of the British flag. By arbitration she would have obtained immediate satisfaction, without incurring the risk of a war with the United States.

States dreaming of future conquests, and sovereigns anxious for war in order to govern at home, may with difficulty be led to adopt the principle of arbitration. But to nations like the English or Americans, which have everything to lose and nothing to gain by mutual slaughter, arbitration is an institution easily invested with practical authority, because public opinion rules, and public opinion, as well as the real interest of both countries, would be on its side.

Already, even where less advanced states are concerned, whenever a controversy arises, Grotius, De Martens, Vattel, and the precedents, are appealed to; and the side to which the wrong can be brought home clearly gives way. Thus, quite recently, Russia, after declaring that she considered the clauses of the Treaty of 1856 no longer binding upon her, as far as the neutralisation of the Black Sea was concerned, agreed in the London protocols to the principle of public order in Europe, that no state should have a right to repudiate any of the stipulations of a general treaty. The London Conference did exactly what a high court would have done, with this difference, that the intervention of a high court would have prevented all dangers.

Suppose the United States and Great Britain to agree on framing a code of international law, and inviting the co-operation of the most competent jurists of France, Germany, and Italy, would not this code be soon recognised by all states? Suppose the first-named powers to appoint a commission of arbitration, would they not afterwards rejoice, on a difference arising, to refer the

question to it, instead of entering upon protracted and dangerous negotiations, or resorting to menaces? Just now England may boast "of not having a quarrel or a subject of difference with one single nation upon the face of the earth;" but are no fresh difficulties likely to arise in the future?

Formerly duels were frequent in England: now they never occur; and why? Simply because public opinion is opposed to them, and there are tribunals to judge between the parties. Were there a regular, known, and approved means of obtaining satisfaction without resort to arms, the public opinion of the world would brand with infamy the state which insisted on war. The institution of an International Court of Arbitration would produce at once this effect. When France was at war with Mexico in 1838, the Court of St. James offered its mediation, which was rejected on the ground "that there was no foreign tribunal high enough to impose its jurisdiction." This objection may be urged against the arbitration of a foreign sovereign; but an international court offering, as it would, much stronger guarantees, and possession of much higher authority, would not be lightly declined.

In the course of the discussion on Cobden's motion, in 1849, Lord Palmerston said: "No country would consent blindfold to submit its interests and its rights on all future occasions to the decision of any third party, whether public or private, whether government or men of science, because it would almost be impossible to find a tribunal in whose judgment each of the two contending parties would place confidence."

This is by no means a solid objection; for, in the first place, arbitration generally ends in a settlement by which the interests of neither party are sacrificed; secondly, what the state decided against may lose by the decision is nothing as compared to what a war would cost it; thirdly, the high court could not give an obviously unjust sentence, inasmuch as it would have to be guided by the international code, and the precedent of a wrongful decision might turn on a future occasion against

those who had procured it. Lastly, in the event of an unjust judgment, the aggrieved state might decline to submit to it; and thus return to the same position it would have been placed in had there been no arbitration. Doubtless, it is possible that the court might decide against the state which was in the right; but does war always secure the triumph of the just cause? Unless you assume, as in judicial combat, that God always gives the victory to the just cause, it must be admitted that arbitration offers better guarantees of a righteous decision than powder and shot.

As long as there are no law courts, public opinion drives men to the *vendetta* and to a resort to arms to avenge offences; where there are laws and judges, it urges them to renounce the appeal to brute force, and they do renounce it. The same would be the case between nations; let the International Court of Arbitration be established, and public opinion will compel all states to submit to it. Nay, public opinion exerts more influence upon governments than upon individuals; all their acts being public and open to general comment, and their authority being dependent upon opinion. Therefore, states will not demur to the decisions of the Court of Arbitration, unless they be manifestly unjust, and opposed to interests of the highest order.

When opposing Cobden's motion, Lord Palmerston added: "I consider it would be a very dangerous course for this country itself to take, because there is no country which, from its political and commercial circumstances, from its maritime interests, and from its colonial possessions, excites more envious and jealous feelings than England does; and no country would find it more difficult to discover really disinterested and impartial arbiters. There is also no country that would be more likely than England to suffer in its important commercial interests from submitting its case to arbiters not impartial and not acting with a due sense of their responsibility."

It seems to me that, precisely because England has such varied and extensive interests, and is continually exposed to conflicts over the whole surface of the globe,

she has a supreme interest in settling the differences that arise in a manner less burdensome than resorting to arms. The more a state is threatened with occasions of war, the more urgent are the motives to adopt means of preventing it. It is no longer true that the jealousy with which England is regarded would render her unable to find impartial referees. This jealousy has entirely subsided; nay, most nations look upon England now as the champion and the model of free countries. England respects treaties and all the recognised rules of international law; therefore she need not fear an unjust decision, which, becoming a precedent, would react against those from whom it emanated. The British Government is so penetrated by these considerations that on several occasions it has proposed to the United States to have all the differences between them adjusted by arbitration. Take, one by one, all the difficulties which have of late years arisen between England and another country—the San Juan boundary claim, the *Trent* case, the Alabama disputes, the question of the Treaty of 1856, the *Frei* case, the dispute about the exportation of arms—is there one among them where the British Government would not have been happy to refer the controversy to an international court? If an interest of secondary importance is at stake, the decision of the arbitrators, whatever it may be, is infinitely preferable to war; and if a vital interest is in question, there still remains the option of acquiescing in the judgment or declining to be bound by it. Were a high court only to prevent one war out of twenty, it would be worth while to establish one.

Experience has shown that arbitration can never involve a danger to any one. It has been repeatedly resorted to of late years, and in every case it has removed the difficulty, without giving rise to any objection or leaving any bitterness behind. If arbitration by sovereigns has been attended with such results, it must *à fortiori* be effective were the decision pronounced by a high court, which, combining all the guarantees of impartiality, enjoying the highest authority, and being

accepted beforehand by all parties, would relieve each from the somewhat painful step of proposing arbitration for the particular case.

It is certain that nations will one day adopt this system; the whole course of history proves it. The fact of mediation, arbitration, and conferences becoming more and more frequent shows that nations aspire towards the adjustment of their differences by a less barbarous process than war. Were England, were her present Prime Minister, whose words always breathe a truly Christian horror of war, to propose to the other states the appointment of a commission for settling disputed points of international law and establishing a system of international arbitration, more than one government would agree at once to the proposal, and the public opinion of the entire world acclaim him as the benefactor of the human race. The question is fully ripe. Holland has called for a European Conference to determine the obligations of neutrals with respect to the exportation of arms. The Imperial Chancellor of Austria has proposed to proclaim the immunity of private property on sea, and has expressed his hope that Prussia will prevail upon the other powers to recognise this principle, from which she has not departed during the late wars. The United States, to whom the first idea of the arbitration system is due, would not repel it.

The Treaty of Washington, by virtue of which the principal differences between England and the United States have been referred to arbitration, might form the stepping-stone to a general measure, in which all nations could concur, with no fear for their independence. The head of the British Cabinet, in a recent speech, has given his countenance to these aspirations. "The Treaty of Washington," said Mr. Gladstone, "is a great international recognition of those principles of equity which are now discovering some modes for the settlement of quarrels better than the brutal arbitrament of the sword. We have been willing to place in abeyance our own prejudices and our own determined adherence to our views of our particular rights and claims, for the purpose, in the

first place, of securing what we believe to be the safest and the most honourable termination of differences; and, in the second place, we hope we may do something, at least in this one respect of an appeal to a pacific settlement rather than to force—something in the shape of setting an example to the world."

Let us hope that this precedent may be set before the world as it merits by the clergy of all denominations, by all societies for the propagation of Christianity, by the philosophers of Germany, of France, of the whole world, in fine, by every nation which has been saddened and shocked by the dreadful scenes of the late war. New and appalling struggles are everywhere looked forward to with apprehension. There are perhaps some which no human power can conjure away; but is not this an additional reason for smoothing away, so far as possible, and settling by peaceful means whatever differences are open to such an adjustment?

Even were no state to respond to such a proposal on the part of Great Britain, it would yet be her eternal honour, in the eyes of posterity, to have at least exerted all her endeavours to lessen the chances of war. If, on the contrary, the hour for so vast a step in the progress of mankind has already arrived, what must be the responsibility of those who, having it in their power to contribute to its accomplishment, shall allow the golden opportunity to escape?

But if no government will take the initiative towards realising the magnificent idea conceived by American philanthropists, and advocated by Cobden before the Parliament of Great Britain, it is then for the public itself to take up this noble cause. A vast international association ought, in that case, to be founded, having for its sole object to make the system of international arbitration prevail. Can it be that the awful spectacle presented to their eyes by recent wars, and the perils before them of like wars in the future, are insufficient to impel men to call with one voice for the adoption of a measure which would spare them a part, at least, of such calamities?

APPENDIX.

REPORT PRESENTED TO THE SENATE OF MASSACHUSETTS, ON THE 26TH OF FEBRUARY, 1837.

BELIEVING a state of society has developed itself in the United States, and also in some of the more enlightened and republican nations of Europe, of the existence of which the governments of the respective countries have not by any acts in conformity thereto appeared to be aware, and for which no adequate preparation, nor any appropriate change in the existing state of things has yet been made—a state of society by which it appears to your memorialist the present age is strongly marked, and whose features distinguish it most clearly and prominently from all preceding times—a state of society in which national wealth is no longer obtained by conquest, the precarious acquisition of some bold, restless, and ambitious military chieftain, but by the private individual exertion of the intelligence, industry, and activity of the citizens at large, in the pursuit of their several peaceful professions and occupations—a state of society which, differing so widely and so totally in all its ways and all its wants from that preceding it, cannot be adequately fostered, provided for, and protected by those institutions and laws which were instituted and enacted for the regulation, government, and well-being of communities, so widely differing in circumstances and resources, where might constitutes the only effective right, where stealth was countenanced by law, where the sword occupied the place of the batoon, and the strong arm was the only avenger; seeing in the present state of things a change so marked, and, indeed, so radical and apparently so permanent a revolution, requiring at least some modification of those rules and regulations which were enacted with not the most remote anticipation of the now existing actual condition of a very large and continually increasing portion of society, a community embracing the farmer, the manufacturer, the merchant, the mechanic, the trader, not to name more particularly the various liberal professions and many other minor classes of citizens, all peacefully, privately, actively, and usefully engaged in those various individual employments which tend so directly and so effectually to promote, establish, and extend that highly cultivated and refined state of civilisation, so powerfully promotive of the useful arts and sciences, and all the higher interests of man, and whose developement can only be effectually attained,

where man is in the enjoyment of perfect freedom, equal rights, and peace; considering the many deep-rooted, and wide-spread evils of war, its invariably adverse bearing on the best interests of mankind, undermining the physical, moral, social, and religious condition of the community, imposing the most burdensome expense, introducing the darkest crimes, extending the deepest corruption, creating the keenest individual suffering, social miseries, and public calamities; perceiving the growing disinclination to all acts of brutal violence, the enlightened opposition already made by associated individuals, incorporated public bodies, and various legislative and executive authorities, not only in the United States, but also in many parts of Europe, to the outbreaking of popular violence, the sanguinary indulgence of private passion, and even the inexpedient secret arming of individuals for the real or declared purpose of self-defence; and remarking, also, the highly honourable attitude assumed by the public press in various parts of this and other countries in favour of peace; regretting, and desirous, if possible, to remove the widely-prevailing insensibility to the futility, inexpediency, and folly of war—an insensibility induced only by the combined effect of erroneous principles of instruction, long prevalent custom, and utter want of due reflection;—believing the introduction of some system for the equitable settlement of international disputes, without an appeal to arms, when once sanctioned by the popular favour, to be perfectly practicable—as much so as any at present in existence for the legal decision of disputes between individuals, incorporated bodies, towns, districts, and states—and being thus practicable to be demanded by the voice of common humanity, by the dictates of enlightened reason, by the obligation of Christian duty, by the prompting of self-interest, and by the consideration of public good; being informed of the inclination and exertion of many distinguished philanthropists, scholars, statesmen, and others, in Great Britain and on the Continent, to co-operate with the friends of peace in the United States for the adoption of such measures as may appear to be most expedient and practicable for the introduction of some system of arbitration, instead of an appeal to arms; desirous of calling the attention of the public, and of our several state and general governments more immediately and effectually to this subject, in order, from a consideration of the baneful influence of war on the agricultural, commercial, manufacturing, and various mechanic interests, on the progress of civilisation, arts, sciences, and religion, the extensive acquisition of national wealth, and to secure enjoyment of the fruits of private industry, to extend and strengthen the conviction that the highest dignity of people results from the

exercise of impartial justice towards all nations, and the highest happiness of a community can be attained only by cherishing the spirit and virtues of peace; thus proving it to be of the utmost importance to the best interests of civilisation, freedom, human improvement, and the refinements of social life to establish some mode of just arbitration for the amicable and final adjustment of all international disputes, instead of appeal to arms: your memorialist requests the attention of your honourable body to this, as he deems it, and as he has reason to believe the great body of the people, not only of this state and the other members of our confederacy, but those of other countries also, think it to be a highly important subject, in order that such steps may be taken in relation thereto as may appear to be the best adapted to promote the end in view.

THOMAS THOMPSON, JUN.

House of Representatives, Feb. 18, 1837.

Referred to the Special Committee on the subject thereof, sent up for concurrence.

C. S. CUSHING, Clerk.
W. CALHOUN, Clerk.

Senate, Feb. 20, 1837.

(Concurred.)

THE
LAW AND CUSTOM OF PRIMOGENITURE.

By the Honourable George C. Brodrick.

The right of Primogeniture, the most distinctive feature of the English family system, is partly the creation of law, and partly the growth of custom. It is the growth of custom, so far as it has its origin in the voluntary action of feudal lords in making grants of land to be held by knight-service, and so far as it now depends on the preference given by parents to eldest sons in wills and settlements of property. It is the creation of law, so far as it is the fixed rule of succession to landed estates in case of intestacy; and so far, moreover, as the custom which prevails in wills and settlements has been determined or favoured by the law. The practice of entailing, which is often associated or confounded with the right of Primogeniture, is theoretically quite independent of that right, since it would be as easy and as consistent with legal principles to entail an estate upon the youngest son as to entail it upon the eldest son. Again, the power of settling is theoretically altogether distinct from the power of entailing, since it extends to personalty as well as to land, and might be employed to keep land tied up, though entails should be abolished by law. Practically, however, settlements are the medium through which the entailing power is exercised, and form a powerful bulwark of Primogeniture, inasmuch as they enable successive heads of families, owing to it their own position, to secure its maintenance far into the lifetime of an unborn generation.

I. The so-called law of Primogeniture, applicable to inheritance of land *ab intestato*, is thus stated in "Blackstone's Commentaries":—"That the male issue shall be admitted before the female, and that, when there are two or more males in equal degree, the eldest only shall inherit, but the females all together." The right of Primogeniture, then, in the descent of land, exclusively belongs to eldest sons, and has no place among daughters. This fact, in itself, has a material bearing on its historical origin. The luminous researches of Sir H. Maine into ancient law tend strongly to support the opinion of Blackstone and other authorities, that we owe this institution to feudal society, not in the earlier, but in the later stage of its development. "Primogeniture did not belong to the customs which the barbarians practised on their first establishment within the Roman Empire." It was, indeed, directly at variance with the principles of equality which appear to have regulated all the primitive communities whose organisation, but lately revealed to historical students, furnishes the key to so many social problems otherwise insoluble. Even the patriarch, though lord of the family possessions, "held them as trustee for his children and kindred." The male children were recognised both in German and Hindoo jurisprudence as "co-proprietors with their father, and the endowment of the family could not be parted with, except by the consent of all its members." Still less had the eldest son any advantage over the rest, either in those primeval family groups which held their domains in joint ownership, or under that more advanced system of land tenure, where partitions took place on the death of a parent, according to rules indicated by Tacitus with his usual pregnant brevity: "Hæredes successoresque sui cuique liberi, et nullum testamentum: si liberi non sunt, proximus gradus in possessione, fratres, patrui, avunculi." Sir H. Maine, after summing up the evidence on this part of the subject, concludes that "an absolutely equal division of assets among the male children at death is the practice most usual with society at the period

when family dependency is in the first stages of disintegration."

This conclusion, mainly founded on the legal history of Germany and India, is further confirmed by the great customary of Ireland, known as the Brehon Code, which not only adopts the rule of equal division, but extends the right of inheritance to bastard children. It is hardly necessary to state that a like rule, but applying only to legitimate sons, was established by the Anglo-Saxon custom of gavelkind, which still prevails, as of common right, over the greater part of Kent, and in a qualified form, governs the descent of copyhold lands in some other parts of the kingdom. The Athenian law of succession, under the Solonian constitution, was the same in all essential respects with the Anglo-Saxon. All the sons inherited equally, upon the death of their father, and the only privilege reserved to the eldest was that of exercising the first choice in the division. The right of Primogeniture, as Blackstone observes, seems to have been maintained by the Jews alone, among the oldest races whose laws are known to us; and even the Mosaic law assigned no more than a double portion to the eldest son, while the "birthright" of pre-Mosaic times, as appears from the case of Reuben, might be set aside by the father.

It is equally certain that Primogeniture is not derived from Roman law—the real fountain head of so many institutions and ideas once supposed to be indigenous. According to Roman law, "when the succession was *ab intestato*, and the group (of co-heirs) consisted of the children of the deceased, they each took an equal share of the property; nor, though males had at one time some advantages over females, is there the slightest trace of Primogeniture." Intestacy, it is true, was rare among the Romans; but Sir H. Maine has given cogent reasons for believing that Roman wills, so far from being made for the purpose of accumulating property upon one representative of the family, were usually made for the contrary purpose of dividing the inheritance more equitably among all the children, and

defeating the rule which excluded sons already emancipated from succession *ab intestato.*

We may assume, then, with as much confidence as is possible in inquiries of this nature, that Primogeniture is essentially a feudal institution. It cannot be traced back to an age preceding feudalism; it was fully established in those countries, and those only, which are known to have adopted the feudal system, and it has been abandoned, for the most part, by those countries which have undergone a complete de-feudalising process. Moreover, though we are unable to specify the exact mode whereby this innovation was accomplished in the Dark Ages, we are able to account for it completely by the peculiar circumstances of that warlike and chaotic period. "While land," says Adam Smith, "is considered as the means only of subsistence and enjoyment, the natural law of succession divides it, like them, among all the children of the family; . . . but when land was considered as the means, not of subsistence merely, but of power and protection, it was thought better that it should descend undivided to one." Such is the true historical explanation, as it is also the sound economical explanation, of the rise of Primogeniture. In ancient Rome, no less than in ancient Athens, the State was everything and the individual nothing; public rights dwarfed and overshadowed private rights; and family pride, intense as it was, could not indulge the passion of territorial aggrandisement, lest it should encounter the fierce jealousy of the republican spirit. In communities of the Oriental and old German type, different causes produced the same effect; land was regarded as "a means of subsistence" for all the members of a primitive family or village, and the idea of vassals or tenants holding under a lord could scarcely have been conceived. Even when the German tribes first conquered the Roman Empire, there is reason to believe that equality was the general principle of division. Each great chief, however, naturally received a larger share, and, being unable to cultivate the whole of it for himself, granted a part to retainers on conditions of

military service. It is from grants of this kind, and from "honorary feuds" to which titles of nobility were attached, that Primogeniture, as a rule of succession, is held by most jurists to have directly sprung. The original grantee of a fief, unlike the owners of "allodial" property, was indebted to no family law for his new possession. He derived it solely from the bounty of his chief, whose interest it was that it should always be held by some person capable of serving in war, as well as of discharging the less definite obligations, in lieu of rent, which afterwards became regular legal incidents of tenure in chivalry. In most instances the eldest son would be the one most capable, on the father's death, of undertaking his feudal liabilities; but this was not the only reason why Primogeniture gradually superseded joint ownership and equal division. In those wild and unsettled times, it was as necessary for the family as for the lord that it should have one acknowledged head to govern it, one standard round which all its members and dependants could rally, one judgment-seat to which all disputes could be referred. The disorganised state of society compelled a recurrence to something like the patriarchal system of family government; but whereas that system had developed into the rule of equal inheritance, feudalism, perhaps under the influence of legal conceptions, became the parent of Primogeniture.

The eldest son, therefore, was invested with his exceptional privileges under the feudal system, not because he was supposed to have any exceptional rights, but rather because he was supposed to be the most eligible for the performance of exceptional duties. He was not, however, invariably preferred; and we know that merit had far more to do with inheritance in the first age of feudalism than it has with succession to estates or titles in our own days. The Crown itself was then, in some degree, elective in every feudal monarchy; and it is more than probable that fiefs, like the chieftainship of Scotch and Irish clans, sometimes descended to younger brothers and sometimes to uncles. When they descended, as they

usually did, to eldest sons, they assuredly brought with them far heavier burdens and far more limited rights of proprietorship than we are wont to associate with the position of a landowner. The life of a German baron under the Othos, or of a Norman baron under the Conqueror and his immediate successors, was a life of incessant toil and anxiety, seldom relieved by leisure or enjoyment; and the younger brother who had entered a monastery or turned soldier of fortune had perhaps little cause to envy the lord of several castles, whose revenues, paid in kind, were devoured by hungry and turbulent retainers.

It is impossible to fix the precise year, or even the precise reign, in which Primogeniture was substituted for gavelkind in the Common Law of England. Blackstone, who regards this feature of mature feudalism as introduced by the Conqueror, points out that, under the so-called laws of Henry I., the eldest son had no pre-eminence beyond the right of appropriating the "capital fee" held by military tenure; and that so late as the reign of Henry II. socage fees continued to be partible among the male children. At all events, the present rule of succession had become almost universal, except in Kent, before the end of the thirteenth century, by which time, also, the custom of entailing, in its most ancient form, was already established. Entails created in this form conferred no indefeasible right of inheritance. When a fee was granted to a man "and the heirs male of his body," it was held that, upon the birth of a son, the grantee might sell the land, or charge it with incumbrances, or forfeit it by treason, so as to bar the interest of his own issue, though, if he did none of these acts, it would descend according to the express terms of the grant. This full liberty of alienation is described by Mr. Neate, in his treatise on the Law of Entail, as characteristic of true feudalism, which denied the son any vested right in the estate so acquired by the father. The famous statute *De Donis* (13 Edward I. cap. 1), by which the succession of the issue, and the ultimate reversion of the donor on failure of issue, were

secured against the risk of being defeated by alienation, is viewed by the same author as a legislative encroachment on feudal principles. The entails made under this statute for nearly two hundred years created, in fact, a perpetual series of life-estates, and are stigmatised in a well-known passage of "Blackstone's Commentaries":— "Children grew disobedient when they knew they could not be set aside; farmers were ousted of their leases made by tenants-in-tail; . . . creditors were defrauded of their debts; . . . innumerable latent entails were produced to deprive purchasers of the lands they had fairly bought; . . . and treasons were encouraged, as estates-tail were not liable to forfeiture longer than for the tenant's life." Though it may well be doubted whether the greater part of England was subject to entails under *De Donis*, the fact of such consequences having resulted from them has never been disputed. Accordingly, when the absurd technical device of a common recovery was invented to break these entails in the reign of Edward IV., Parliament took no steps to counteract it, and in the reign of Henry VIII. expressly authorised a tenant-in-tail to bar his own issue by a proceeding known as a "fine."

It has not been sufficiently realised that during the period between the introduction of these methods for breaking entails, and the institution of family settlements in the seventeenth century, the ownership of family property in this country was practically more absolute, and the disposition of it less restricted, than it had been for two centuries before, or than it has since become. Each successive tenant-in-tail, by levying a fine, or suffering a common recovery, was able to convert his estate into a fee-simple, and as the use of life-estates in tying up land had not yet been discovered, the head of a family was usually in this position. The agrarian history of this remarkable period yet remains to be written; but it is impossible not to connect the rapid growth and singular independence of the English gentry and yeomanry under the later Tudors and earlier Stuarts, with the limitation of entails and freedom of alienation

which thus characterised it. In course of time, however, family pride, aided by lawyers, contrived new expedients for checking alienation by sale or subdivision by will, and placing the right of Primogeniture on a secure basis. The first of these expedients in logical, if not in chronological, order, was the mere substitution of such words as "first son" or "eldest son" for "heir of his body," in deeds of settlement. The legal effect of this was, that instead of the father taking an estate-tail under the settlement, which he might have forthwith converted into a fee-simple, he took only a life-estate, and had no control over the remainder (whether for life or in tail) given by the same instrument to his eldest son. This idea was developed by conferring, so far as possible, life-estates instead of estates-tail on the whole first generation of persons included in a family settlement; so that, whereas a tenant-in-tail once in possession could not be deprived of his power to become master of the property, the acquisition of this power might be deferred to a second, or even to a later generation. But, for reasons known to lawyers, that object could not have been accomplished effectually without a further expedient devised by Sir Orlando Bridgman and Sir Geoffrey Palmer during the Civil Wars, and generally adopted after the Restoration. This was the notable contrivance of "trustees to preserve contingent remainders," of which it is enough to say that it protected the interests of tenants-in-tail against the risk of being defeated by the wrongful act of preceding life-tenants. From this epoch, rather than from "Chudleigh's case," which is cited by Lord Bacon, must be dated the modern type of settlement. Still, the principle was maintained that an entail might be cut off by a tenant-in-tail of full age, though it was technically necessary for him, unless in possession, to obtain the concurrence of the person (generally his own father) in whom the immediate freehold was vested. This principle was violated by the Legislature for the first time, as Mr. Neate shows, in the great Act of William IV., which created the "protector of the settlement." Since this Act it has been

a positive rule of law, and no longer a mere technical necessity, that, when a tenant-in-tail under a settlement wishes to bar the entail completely, he must obtain the consent of the "protector," that is, in legal phrase, of the person who has the first estate of freehold prior to his own estate-tail.

II. We are now in a position to review the actual operation of Primogeniture in this country, whether under the express terms of settlements and wills, or by virtue of the law prescribing the course of descent on intestacy. Unfortunately, the statistical materials requisite for such a review are extremely scanty. No register of settlements, or of other dealings affecting land, exists as yet for the greater part of England, though such a register is kept in Scotland, and very conflicting estimates have been formed of the proportion which settled bears to unsettled property. Wills, it is true, are preserved, but they do not show the extent of land devised by them; nor is there any means of ascertaining, with any approach to accuracy, how far they are employed to aggravate, and how far to mitigate, the inequality arising from the custom of settling landed estates upon eldest sons. It might have been expected, however, that a complete record of the land devolving annually by descent would be kept for State purposes and public information. Instead of this, no distinction appears to be drawn, even between land which passes by will and land which passes by settlement, being equally chargeable with succession duty; while, for a like reason, no separate account is published of land transmitted to heirs by the law of intestacy. A still more extraordinary, not to say disgraceful, cause of the mystery which surrounds our land system is the entire want of any official returns to show the number of landowners in the United Kingdom, and the distribution of the soil among them. In default of these *data*, any judgment which may be formed on the various questions which ought to be determined by them must be, to some extent, speculative. Still, there are certain facts which are matters of common notoriety, and others which are within the general

cognizance of persons concerned with land, by the light of which it is possible to arrive at some trustworthy conclusions respecting the dominion of Primogeniture over social life in England.

In the first place, it is material to observe that personal property, which is exempt from the law of Primogeniture, is little affected by the custom, save where it is thought necessary to keep up the dignity of a family place. Rich capitalists who do not invest in land, or aspire to found a county family, seldom make an eldest son, and of those who do indulge this ambition, some prefer to buy a moderate estate for each of their sons. Still more habitually is equal division recognised as the dictate of natural equity by the great body of merchants, tradespeople, and professional men, as well as by the labouring classes throughout Great Britain and Ireland; in short, by the middle and lower orders of society, "divorced from the soil" in this country, and by the landless members of the upper orders. Nor must it be forgotten that, by English law, ordinary leaseholds, whether they consist of lands or houses, count as personalty, and are distributed as such on intestacy; whereas money in trust for investment in land counts as realty and falls under the same rule of inheritance. Vast leasehold interests are constantly included in settlements of personalty, and few of these settlements, whether made on the marriage of a duke's younger son or on the marriage of a shopkeeper, exhibit any bias towards Primogeniture. In most instances, the funds are directed to be invested for the benefit of all the sons and daughters of the marriage equally, though a power is usually reserved to the parents of modifying this distribution by "appointment," at their own discretion. The same course is generally followed by testators possessed of small landed estates purchased with their own earnings, who, for the most part, devise their land to trustees for sale, and direct the proceeds to be divided among their children. In families of the yeoman class, the ordinary practice appears to be that hereditary property should go to the eldest son, but that, in accordance

with the Scotch rule of *legitim*, younger children should be compensated, so far as possible, for their disinherison, and that, if burdened with mortgages, the land should be sold for the equal benefit of all. Even the rude wills and settlements drawn up by priests or schoolmasters for Irish peasant farmers, among whom the instincts of proprietorship are cherished in their intensest form, embody the principle of gavelkind and not of Primogeniture. Though often destitute of any legal validity, and purporting to dispose of an interest which has no existence in law, they usually disclose a clear intention to place the younger children on a tolerably equal footing with the eldest son, either by the subdivisions of which Irish landlords complain so much, or by heavy charges on the tenant-right.

It may, therefore, be safely affirmed that Primogeniture, as it prevails in England, has not its root in popular sentiment, or in the sentiment of any large class, except the landed aristocracy and those who are struggling to enter its ranks. By the great majority of this class, embracing the whole nobility, the squires of England, the lairds of Scotland, and the Irish gentry of every degree, Primogeniture is accepted almost as a fundamental law of nature, to which the practice of entails only gives a convenient and effectual expression. Adam Smith remarks that "in Scotland more than one-fifth, perhaps more than one-third, part of the whole lands of the country, are at present supposed to be under strict entail"—that is, entailed under a system introduced in 1685, which barred alienation far more inexorably than was permitted by the English rule against perpetuities. Mr. McCulloch, writing in 1849, calculated that at least half Scotland was then entailed, though an Act passed in the previous year had already facilitated disentailing by provisions borrowed from the English law. In England, where so much land is in the hands of corporations or trustees for public objects, and where almost all deeds relating to land are in private custody, we cannot venture to speak with so much confidence on this point. Considering, however,

that in most counties large estates predominate over small, and that large estates, by the general testimony of the legal profession, are almost always entailed either by will or settlement, while small estates, if hereditary, are very often entailed, there is no rashness in concluding, in accordance with the evidence given before Mr. Pusey's committee, that a much larger area is under settlement than at the free disposal of individual landowners.

It has frequently been asserted that a mere fraction of the land which yearly changes hands on death, is governed by the law of intestacy. There are no adequate means of testing this assertion; but the probability is that it overstates the case. There is scarcely a wealthy or noble family of any considerable antiquity in which the estates have not at some time descended to an heir or coparceners by the effect of this law, and such an event is far more likely to happen in families less guided by the advice of solicitors. What is really true is, that landowners seldom deliberately intend to die intestate, and that most descents by operation of law are the result of negligence or misadventure. A man, perhaps, makes several contradictory wills, all of which prove to be void for want of proper attestation, or by reason of his incompetence; or he makes a good will that does not cover the whole of his property; or, having recently purchased a small freehold, he is just about to devise it, when he is suddenly cut off. The known wishes of an intestate may be carried into effect by arrangement within the family, or an amicable suit in equity, without the public becoming aware of the fact, especially if those wishes should coincide with the course of descent at common law. Several notable examples of the contrary kind, where the known wishes of the intestate, and the plain requirements of justice, were grievously violated by the law of Primogeniture, have been cited by Mr. Locke King and others. Upon the whole our presumption must be that, whatever may be the indirect influence of that law on the minds of settlors and testators, its direct influence in promoting the aggregation of land is by no means extensive.

We have next to examine the mode whereby the right of Primogeniture is secured in ordinary settlements of landed property, or, less frequently, in the wills of landed proprietors who have enjoyed an absolute power of disposition. This mode is thus explained in the standard work of Mr. Joshua Williams, on the Law of Real Property :—" In families where the estates are kept up from one generation to another, settlements are made every few years for this purpose; thus, in the event of a marriage, a life-estate merely is given to the husband; the wife has an allowance for pin-money during the marriage, and a rent-charge or annuity by way of jointure for her life, in case she should survive her husband. Subject to this jointure, and to the payment of such sums as may be agreed on for the portions of the daughters and younger sons of the marriage, *the eldest son who may be born of the marriage is made by the settlement tenant-in-tail.* In case of his decease without issue, it is provided that the second son, and then the third, should in like manner be tenant-in-tail; and so on to the others; and in default of sons, the estate is usually given to the daughters; not successively, however, but as 'tenants in common in tail,' with 'cross remainders' in tail. By this means the estate is tied up till some tenant-in-tail attains the age of twenty-one years; when he is able, with the consent of his father, who is tenant for life, to bar the entail with all the remainders. Dominion is thus again acquired over the property, which dominion is usually exercised in a re-settlement on the next generation; and thus the property is preserved in the family. Primogeniture, therefore, as it obtains among the landed gentry of England, is a *custom* only, and not a *right;* though there can be no doubt that the custom has originated in the right which was enjoyed by the eldest son, as heir to his father, in those days when estates-tail could not be barred."

To complete this explanation, it should be added that almost all modern settlements contain a power of sale, enabling the trustees, with the consent of the

tenant in possession, to sell portions or even the whole of the property, and to re-invest the purchase-money in other land. Under these powers outlying estates, or estates which may have come into the family collaterally, are very commonly sold off, and the produce is either applied in rounding off the central domain, or held upon trust for the same persons as would have received the income of the land, till it is sooner or later absorbed in paying charges which must otherwise have been raised upon the entire property. In default of such powers being inserted in the settlement, the Court of Chancery may direct sales, with the consent of the parties interested; and it may be asserted that with the exception of a very few domains inalienably settled, like Blenheim, on a particular family, no estate in England is *permanently* unsaleable. It should also be remarked that a settlement of the kind described by Mr. Joshua Williams, implies that full control has been acquired over the land before it is executed. For this purpose, most family properties are disentailed in each generation with a view to re-settlement, by the joint act of the life-owner for the time being as "protector," and of his eldest son as tenant-in-tail in reversion. The former is actuated by a desire to perpetuate the entail by fresh limitations, to a period as distant as the law permits; and often gains, in the process of re-settlement, the means of discharging his own debts, or making provision for those who have claims upon him. The son, on the other hand, taking a life-estate in lieu of his estate-tail, forfeits the prospect of becoming master of the property on his father's death; but in consideration of this sacrifice, he usually receives an immediate rent-charge by way of allowance, and is placed in a position to marry early.

It is well known that in families which maintain the practice of entailing, the disparity of wealth between the eldest son and younger children is, almost invariably, prodigious. The charge for the portions of younger children, when created by a marriage settlement, is created at a time when it is quite uncertain how many such

children there will be. It is rarely double of the annual rental, and often does not exceed the annual rental; indeed, in the case of very large estates, it may fall very far short of it. In other words, supposing there to be six children, the income of each younger brother or sister from a family property of £5,000 a year will consist of the interest on a sum of £1,000 or possibly £2,000; and even if there were but one such younger child, his income from the property would probably not be more than one-twentieth or one-thirtieth of his elder brother's rental. Nor does this represent the whole difference between their respective shares of the family endowment, for the eldest son, who pays no probate duty, finds a residence and garden at his disposal, which he may either occupy rent-free, or let for his own private advantage. Of course, where a father possesses a large amount of personalty, he may partially redress the balance; and there are exceptionally conscientious landowners who feel it a duty to save out of their own life incomes for younger children. But it is to be feared that accumulations in the Funds are too often employed, not exclusively nor mainly to increase the pittances allotted for portions, but, on the principle of "To him that hath shall be given," to relieve the land of some outstanding incumbrance, and to aid the eldest son in conforming to a conventional standard of dignity. The same imaginary obligation to preserve that degree of state and luxury which is expected of country gentlemen with a certain status and acreage, offers an obstacle to saving, which the majority find insuperable. Besides, nine out of ten men who inherit their estates burdened with charges for their father's widow and younger chidren, would think it quixotic to lay by out of their available income, as men of business would do, for the benefit of their own younger children. Hence the proverbial slenderness of a younger son's fortune in families which have a "place," and especially in those which have a title, to be kept up. As for the daughters, their rank is apt to be reckoned as a substantive part of their fortunes; and not only are their marriage

portions infinitely smaller than would be considered proper in families of equal affluence in the mercantile class, but it is not unfrequently provided that, unless they have children, their property shall ultimately revert to their eldest brother.

To say that Primogeniture, thus organised, has a direct tendency to prevent the dispersion of land, is only to say that it fulfils the purpose for which it was instituted. It is hardly less evident that it must have the further effect of promoting the aggregation of land in a small and constantly decreasing number of hands. The periodical renewal of entails is intended to secure, and does secure, ancestral properties against the risk of being broken up; and, practically, they very seldom come into the market, except as a consequence of scandalous waste or gambling on the part of successive life-owners. The typical English family estate is that which, like Sir Roger de Coverley's, neither waxes nor wanes in the course of generations, and there are still many such estates in counties remote from London. But there is nothing to check the cumulative augmentation of ancestral properties by new purchases of land, which is the darling passion of so many proprietors. There is always some *angulus iste* to be annexed and brought within the park-palings or the ring-fence on the first good opportunity; and scarcely a day passes without some yeoman of ancient lineage being erased from the roll of landowners by the competition of his more powerful neighbour. Not that any tyranny or unfair dealing is involved in this process of aggrandisement, which is the consequence of economical laws quite as simple as that of natural selection in the animal creation. The yeoman sells his patrimony either because he has ruined himself by drinking or improvidence, or because he finds that by turning it into money he can largely improve his income and the future expectations of his family. The nobleman or squire buys it at a price which is not commercially remunerative, either to prevent its being covered with buildings, or because it lies conveniently for his own agricultural

designs, or because he wants to extend his influence in the county; for one or all of which reasons it is worth more to him than to any one else. It is known in some parts of the country that it is utterly vain to bid against the great territorial lord of the district, whose agent is instructed to buy up all properties for sale, regardless of expense. In other parts of the country, men who have made their fortunes in trade are equally covetous of land, which for them is the one sure passport to social consideration, and equally anxious to keep it together by entails. Thus by the normal operation of supply and demand large estates are perpetually swallowing up small estates, while, by a suspension of that operation through the law and custom of Primogeniture, they are themselves preserved, to a great extent, from dissolution. On the other hand, it must not be forgotten that a counter-tendency, no less natural and legitimate, partly neutralises this gravitation of smaller towards larger aggregates of land. The enormous rise in the value of all sites within easy reach of great towns sometimes offers to great landowners an inducement to sell which they cannot resist. In this way, under the powers of sale already mentioned, distant and detached portions of great estates are frequently passing in large blocks into the hands of new landlords, generally of the mercantile class, or are bought up by land-jobbers and sold, in petty blocks, to retired tradesmen. At the same time the acquisition of minute plots by the working classes has been facilitated of late by the agency of freehold land societies, originally established for political objects, and would doubtless prevail to a much greater extent but for the exorbitance of law-charges on small purchases of land.

If we seek to measure the joint result of these opposite tendencies by a statistical test, we find ourselves in the region of the loosest and vaguest conjecture. It has been most confidently stated, for instance, that in the latter part of the last century England was divided among 200,000 landowners, and that it is now divided among no more than 30,000. No proof whatever is

thought necessary to support the former assertion; the latter is supported by a proof which, on examination, turns out to be perfectly worthless. In the Occupation Returns of the Census for 1861, only 30,766 persons described themselves as land-proprietors, and these figures have been quoted ever since as official evidence on the subject, in the face of the patent fact that above half of the whole number were females. The probable explanation of this circumstance is, that women owning land feel a pride in recording their ownership; whereas thousands of male landowners returned themselves as peers, members of Parliament, bankers, merchants, or private gentlemen. At all events, the mere existence of so palpable a flaw in the return utterly destroys its value for the purposes of statistical argument. Great pains have been taken in the preparation of census papers for 1871, to elicit the information required, and "proprietors of land" are specially requested in the prefatory instructions, "in addition to their rank or occupation, to state that they are *landowners*." How far these instructions have been obeyed remains to be seen, for it is certain that months will elapse before this part of the last Census is tabulated. In the meantime, a more trustworthy, though very imperfect, basis of calculation is afforded by the Electoral Returns drawn up in anticipation of Mr. Gladstone's Reform Bill. It there appears that 116,970 were assessed in the Valuation Lists of 1865 as male occupiers, *being also owners* of lands or tenements in counties above £10 rateable value. This number may be taken as representing approximately, but with two important qualifications, the number of landed proprietors in the county constituencies at that date, *exclusive of small freeholders below* £10 *rateable value*. It is, however, to be observed first, that in enumerating the occupations at rateable values under £50, "those persons only were to be included who occupied a house or other building," so that non-resident landowners were left out; and secondly, that many landowners were included who owned no more than a house and garden, especially as all villages and towns, except parliamentary boroughs, form part of the county consti-

tuencies. If we roughly estimate the deduction to be made on this score as equivalent to the addition to be made for small freeholders below £10 of the agricultural class, and if we make a further addition for non-residents rated below £50 and for owners of agricultural land within the limits of boroughs, we must conclude that, in all, the *bonâ fide* "landed proprietors" of England and Wales, great and small, largely exceed 100,000, and may well amount to 200,000. The contrary impression has, doubtless, been fostered in part by looking too exclusively at the vast extent and rapid growth of such principalities as those of the Sutherland, Buccleuch, Portland, Bedford, and Northumberland families, spreading over half a county. But England and Wales contain 37,324,883 acres, and within this area there is room for some 50,000 estates of 500 acres each on the average, besides some twenty estates ranging from 100,000 to 500,000 acres, leaving a large margin for small freeholds still in the possession of yeomen and of persons chiefly dependent for their livelihood on professions or trades.

Still, even assuming that 200,000, instead of 30,000, proprietors share between them all the soil of England and Wales, this body, as Mr. Wren Hoskyns points out, is "numerically less than a hundredth part of the population." Moreover, the larger number is confessedly made up, in a very great proportion, of a proprietary class too humble or too busily engaged in town avocations to fill any perceptible space in the rural economy of this country. That economy is so familiar to all of us that we scarcely recognise the peculiar characteristics of it, which foreigners notice as unique in modern Europe. To an Englishman born and bred in the country, it appears the natural order of things, if not the fixed ordinance of Providence, that in each parish there should be a dominant resident landowner, called a squire, unless he should chance to be a peer, invested with an authority over its inhabitants, which, as Mr. Neate contends, "the Norman lords, in the fulness of their power," never had the right of exercising. This

potentate who, luckily for his dependants, is usually a kind-hearted and tolerably educated gentleman, concentrates in himself a variety of rights and prerogatives which, in the aggregate, amount to little short of patriarchal sovereignty. The clergyman, who is by far the greatest man in the parish next to himself, is usually his nominee, and often his kinsman. The farmers, who are almost the only employers of labour besides himself, are his tenants-at-will, and, possibly, his debtors. The petty tradespeople of the village community rent under him, and, if they did not, might be crushed by his displeasure at any moment. The labourers, of course, live in his cottages, unless, before the Union Chargeability Act, he should have managed to keep them on his neighbour's estate; but this is by no means his only hold upon them. They are absolutely at his mercy for the privilege of hiring allotments at an "accommodation" rent; they sometimes work on the home farm, and are glad to get jobs from his bailiff, especially in the winter; they look to him for advice in worldly matters as they would consult the parson in spiritual matters; they believe that his good word could procure them any favour or advancement for their children on which they may set their hearts, and they know that his frown may bring ruin upon them and theirs. Nothing passes in the parish without being reported to him. If a girl should go wrong, or a young man should get into evil company, or a stranger of doubtful repute should be admitted as a lodger, the squire is sure to hear of it, and his decree, so far as his labourers and cottage tenants are concerned, is as good as law. He is, in fact, the local representative of the law itself, and, as a magistrate, has often the means of legally enforcing the policy which, as landlord, he may have adopted. Add to all this the influence which he may and ought to acquire as the leading supporter and manager of the parish school, as the most liberal subscriber to parochial charities, as the patron of village games and the dispenser of village treats, not to speak of the motherly services which may be rendered by his wife, or the boyish fellowship which may grow up

between the youth of the village and the young gentlemen at the Hall, and it is difficult to imagine a position of greater real power and responsibility. Yet even this does not exhaust the special advantages and prerogatives attached to the position of an English country gentleman. Until very lately, he alone was lawfully eligible to a seat in Parliament, and even now his class, which may be said to engross the Upper House, predominates conspicuously in the Lower. By this class the whole machinery of county taxation, county government, and county judicature, is regulated and worked. In those of them who may be magistrates is vested *ex-officio* a right of taking part in poor-law administration; in their gift is a great variety of lucrative county offices, and the wealthiest magnate of the greatest manufacturing town is "nobody in the county" until he shall have secured their good opinion. That powers so vast and so arbitrary have not been more frequently abused is an honour to our national character; nor can we reflect, without some feeling of pride, on the admirable manner in which the "duties of property" are acknowledged and discharged on thousands of English estates. But this must not lead to idealise this form of rural economy as our forefathers idealised the British Constitution, to ignore the grave defects and anomalies inherent in it, or lightly to dismiss the experience of other nations as inapplicable to our social condition.

III. The Reports on Land Tenure drawn up in answer to a circular from the Foreign Office, by Her Majesty's representatives in the principal countries of Europe and the United States of America, contain a mine of precious materials on foreign land systems. Though specially directed to points bearing directly on the objects of the Irish Land Bill, they include a large mass of evidence on such questions as the descent of landed property on intestacy, and the general tendency of various codes to favour the accumulation or dispersion of land. A few extracts from the results thus obtained may be of some value in illustrating an inquiry into the law and custom of Primogeniture in England.

In France, as all economists are aware, "the land is chiefly occupied by small proprietors, who form the great majority throughout the country," so that of some 7,500,000 proprietors, about 5,000,000 are estimated to average six acres each, while only 50,000 average 600 acres. This *morcellement* is the direct and foreseen consequence of the partible succession enforced by the Code Napoléon, under which all children inherit the bulk of their father's property equally, without distinction of age or sex, a testator with one child being allowed to dispose of half, a testator with two children of one-third only, and a testator with three children of one quarter. The dismemberment of estates thus produced is progressive. "With some rare exceptions, all the great properties have been gradually broken up, and even the first and second classes" (averaging 600 and 60 acres respectively) "are fast merging into the third." Volumes of controversy have not exhausted the arguments either for or against the French law of inheritance, and it is instructive to remark that, whereas it used to be attacked on the ground that it stimulated the increase of population to a frightful extent, it is now attacked on the ground that it keeps the population almost stationary. In France itself, if we may trust the Report, "the prevalent public opinion as to the advantages or disadvantages of the tenure of land by small proprietors is decidedly that it has been advantageous to the production of the soil, and has tended to the improvement of the material condition of the agricultural population." It is believed, moreover, that subdivision "conduces to political as well as social order, because the greater the number of the proprietors, the greater is the guarantee for the respect of property, and the less likely are the masses to nourish revolutionary and subversive designs." The reporter, Mr. Sackville West, appears to share these views, but he is careful to express his concurrence in M. Lavergne's opinion that *morcellement* has now reached the limit of safety, and that "an unlimited partition of the small properties as they already exist would be productive of serious evil."

The elaborate Report on land tenure in Prussia and the North German Confederation, by Mr. Harriss Gastrell, attests the same preponderance of public opinion in favour of small proprietorship, which is encouraged by the law. "In cases of intestacy the law divides all property, including land, in certain proportions, among widow and children; or equally amongst the children, if there be no widow," and no disposition can deprive the "natural heirs" of their claim to a fixed allotment, sometimes amounting to as much as two-thirds of the whole. Though subject to these limitations, "the custom of making a will is almost universal," but "the restrictions on land by settlements and the like are much less than in England." The consequence is, that in the entire province of Prussia, out of about 185,000 freehold estates rather more than half do not exceed twenty acres in extent.

"Wurtemburg is remarkable as the country where subdivision of land is carried to the greatest extreme," containing, as it does, some 280,000 peasant owners, with less than five acres each, and about 160,000 proprietors of estates above five acres. Upon intestacy, the land is equally divided among all the children, male and female." The father, however, seems to be allowed full liberty of disposition over the property, so long as a certain moderate portion defined by law (*pflicht-theil*) is reserved for each child. On the smaller peasant farms, "when, in accordance with the will of the father, one child becomes owner of all the paternal land, an estimate is formed on a footing rather favourable to him, and he compensates the brothers and sisters by equal sums of money. The daughters, however, are more frequently on their marriage allotted an equal share of land; and, as the husband is probably the proprietor of a piece of land elsewhere in the commune, the intersection and subdivision of the land goes on increasing." On the larger peasant farms, the custom of Primogeniture has encroached still further on that of equal division. Here, the eldest son commonly succeeds to the whole property, "often in the father's lifetime. When the parent is incapacitated by age from

managing his farm, he retires to a small cottage generally on the property, and receives from the son in possession contributions towards his support both in money and kind. The other children receive a sum of money calculated according to the size of the property, and the number of children, but which, in any case, falls far short of the sum which they would receive, if the property were equally divided, or even were the law of *pflicht-theil* acted on. They have, however, their home there until they establish themselves independently or take service on another property." Mr. Phipps, who gives this account of the Wurtemburg land system, adds that political economists of that country are now "of opinion that small proprietors, who complete their means of livelihood by industrial pursuits are the most desirable class to encourage, whereas formerly agriculture on a large scale was considered the most profitable."

In Bavaria, where the land is very much subdivided, Mr. Fenton attests the general prevalence of a custom very similar to that which characterises the larger peasant farms in Wurtemburg. Except in the Bavarian Palatinate, where the Code Napoléon is in force, the descent and inheritance of land are governed throughout Bavaria by the principles, though not everywhere by the express provisions, of the common law. "A proprietor is bound to bequeath, at his death, a certain defined portion of his property, to be divided in equal shares among all his legitimate children. That portion must not be less than one-half, if the number of children be five, or more than five; and not less than one-third, if there be four, or less than four, children." Where the property consists of land, and especially if it be a peasant property, the eldest son may, and usually does, retain the whole, paying the rest a pecuniary indemnity for their shares, if the father has not already installed him in possession, as sometimes happens, during his own lifetime. "Amongst that class the almost invariable custom is for the testator to leave the whole of the real property—farmhouse, farm buildings,

and land—in the possession of one member of the family, commonly the widow or the eldest son, and that person then becomes responsible to the children for the payment to them of a sum of money corresponding to the value (as ascertained by official appraisement) of their share of the property, the children's share being generally fixed at one-half of the whole, real as well as personal. It is further a universally-understood condition of an arrangement of the nature above described, that the person who remains in possession of the property and becomes its owner, is bound during a certain number of years (after the payment of their shares to all the children) to provide any one or all of them with board and lodging at the homestead, in the event of their falling into distress from sickness, want of employment, &c." In short, the peasant proprietors of Bavaria, who are admitted to be a thriving class, appear to keep up their family estates with as much tenacity as our own landed gentry, but with a jealousy for the rights of younger children, which reminds us of the Irish peasant farmers. In the Austrian Empire, on the contrary, the devolution of all property, real and personal, is regulated by the Civil Code, by which "no preference is accorded to eldest sons," nor have sons any advantage over daughters; but "an exception exists in the case of family entails (*majorats*)." Of course these entails are mainly created on large properties. Whatever be the instrument which constitutes such an entail, Mr. Lytton remarks that it has no legal validity without the special consent of the legislative power.

It is almost superfluous to state that Switzerland is a land of small proprietors, the law of equal division being heartily supported by custom. According to Mr. Mackenzie's report, "the quantity of land usually held by each varies from six to twelve acres, small lots held together, and the larger intersected by other properties," yet, instead of being pauperised by subdivision, the Swiss are proverbial for successful enterprise in trade both at home and abroad. In Belgium,

morcellement has notoriously been carried, under the Code Napoléon, to a greater extreme than in France itself; so that Mr. Wyndham estimates the average size of estates, deducting woodlands and wastes, at seven acres; and Mr. Grattan cites official statistics which show that four-fifths did not exceed twelve acres. "The dispersion of land is increased by the system which generally prevails at public sales of dividing real estate into small parcels or lots;" otherwise the properties of poor families, sold for the purpose of effecting a more convenient distribution among children, would be constantly passing into the hands of rich families. In Holland, as we learn from Mr. Locock's report, "the law of succession requires the division in equal portions, amongst the children or next of kin, of a major part of every inheritance without regard to its nature or origin, and this is naturally calculated to favour to a great extent the division of landed property. But on the other hand there exists a very prevalent desire with individuals to avoid unnecessarily splitting up the paternal estates. It is a common thing for a farmer, whether proprietor or tenant, to have accumulated before his death sufficient movable property, frequently in the funds, to enable him to assign a portion therefrom to one or another of his children." The policy of the law, however, is rather against family arrangements, whereby the eldest son may retain all the land and the younger children may be compensated in money, since it imposes an increased tax on successions thus modified by agreement. In the Hanse Towns, as well as in Schleswig-Holstein, Primogeniture is more countenanced by law; but even where, as in Bremen, the real estate goes to the eldest son on intestacy, the "co-heirs," or younger children, are entitled to be portioned out of it.

In Italy, says Mr. Bonham, "the laws in force tend in every way to favour the dispersion of land," and equal division, without distinction of sex, is the rule of inheritance on intestacy; but a landowner, having children, may leave one-half of his property by will;

the other half—the *legitima portio*—"cannot be burdened with any conditions by the testator." In Greece and Portugal, the law of intestacy and the restrictions on testamentary disposition are, in all essential respects, the same as in Italy, producing in both countries a large, and increasing subdivision of landed property. Mr. Finlay, speaking of the stationary condition of Greek agriculture, observes:—"It is the almost universal rule that each small proprietor possesses a *zevgari*" (or plot requiring two pair of oxen to plough it), "and that each cultivator of national land occupies no more." Mr. Merlin, in his report on Greece, mentions the curious fact that "it is extremely rare for the sons to marry till their sisters are provided for; and this feeling pervades all classes." In Russia, where the land system has been complicated by political and social distinctions between classes, by serfdom, and by the communal organisation, Mr. Michell reports that local usage regulates the descent of peasant properties. The law of intestacy for the rest of the community is based on equal division, giving males a preference over females. "There is no general law of Primogeniture, although, in a few great families, estates have been entailed under a special law passed in the reign of the Emperor Nicholas. In 1713 Peter the Great attempted to introduce a general inheritance in fee of the eldest son; but this was so much opposed to the spirit of the Russian landowners, that one of the first acts of Peter II. was to cancel the Ukase of 1713."

Under the land laws of most States in the American Union, an owner in fee-simple has nearly the same power of disposition as he would possess in this country, but the rule of equal division prevails in case of intestacy. The results of this system, and the reason why they differ so widely from those produced by our own, are succinctly described in the following passages of Mr. Ford's report:—

"The system of land occupation in the United States of America may be generally described as by small proprietors. The proprietary class throughout the country is, moreover, rapidly on the increase, whilst that of the tenancy is diminishing, and is princi

pally supplied by immigration. The theory and practice of the country is for every man to own land as soon as possible. The term of landlord is an obnoxious one. The American people are very averse to being tenants, and are anxious to be masters of the soil, and are content to own, if nothing else, a small homestead, a mechanic's home, a comfortable dwelling-house in compact towns, with a lot of land of from 50 feet by 100 feet about it. In the sparsely-peopled portions of the country a tenancy for a term of years may be said to exist only in exceptional cases. Land is so cheap there that every provident man may own land in fee. The possession of land of itself does not bestow on a man, as it does in Europe, a title to consideration; indeed, its possession in large quantities frequently reacts prejudicially to his interests, as attaching to him a taint of aristocracy which is distasteful to the masses of the American people.

"The landowner in the United States has entire freedom to devise his property at will. He can leave it to one or more of his children, or he may leave it to a perfect stranger. In the event of his dying intestate, his real estate is equally divided amongst his children without distinction as to sex, subject, however, to a right of dower to his widow, should there be one. If there are no children or lineal descendants, the property goes to other relatives of the deceased. If the intestate leaves no kindred, his estate escheats to the State in which it is situated. The laws of the different States of the Union regulating the descent and division of landed property on death of owner harmonise to a great extent with each other.

"It may be asserted that the system of land-tenure by small proprietors is regarded in this country with great favour, and that the prevailing public opinion is that the possession of land should be within the reach of the most modest means. A proprietor of land, however small, acquires a stake in the country, and assumes responsibilities which guarantee his discharging faithfully his duties as a citizen. Whilst practically any one man may acquire as much land as he can pay for, yet the whole tendency and effect of the laws of this country are conducive to dispersion and multitudinous ownership of land. The several States, and the Government of the United States grant their lands in limited quantities; and under the laws of descent lands descend to the children, irrespective of sex, in equal shares; and the laws of partition provide for a division of the lands into as many parts as there are interests, where it can be done without prejudice. In many European countries the sale and transfer of land are so hampered by legal complications, and entail such heavy expenses, as frequently to discourage such operations. In the United States, on the contrary, the sale and transfer of land are conducted with about the same ease as would be the sale of a watch. Very large quantities of land are seldom held in this country, undivided, by one family for more than one or two generations. It is worthy of remark that in this country the same reluctance is not felt, as in Europe, to parting with family lands."

The conclusion to be drawn from this rapid survey of

foreign laws and customs regulating the devolution and settlement of land may be expressed in a very few words. No other nation has adopted in its entirety the English right of Primogeniture—a right which could only have grown up in a thoroughly feudalised society, and could only have been perpetuated in a country where the feudal structure of society has never undergone any violent disturbance. In those states which have remodelled their jurisprudence on the principles of the Code Napoléon, the eldest son is effectually debarred from engrossing the whole landed property of the family. In other states which have developed their law of succession independently, parents are allowed to "make eldest sons," under greater or less restrictions. In no considerable state but our own does the law itself, in default of a will or settlement, constitute the eldest son the sole heir to all the realty, and in no other is the exclusive preference of the first-born thus consecrated by law carried to such extreme lengths in family government. It remains to consider whether this unique institution, viewed as a whole, deserves to be still upheld by English statesmen, either by virtue of its intrinsic merits, or by reason of its having become incorporated into our national character; and, if not, in what manner it may be proper to modify it by legislative enactment.

IV. In approaching this part of the subject we must resolutely put aside two lines of reasoning which have done much to obscure it. The first of these is that which starts from the idea that younger sons have certain natural rights, of which they are deprived by the law and custom of Primogeniture. Now, it is impossible to form any definite conception of rights in this sense, except as arising from the personal exertions of those who claim them; or, at least, from expectations fostered by the law, or the parent, as the case may be. If the Code Napoléon had been introduced into England, and if the existing rule of descent by Primogeniture were afterwards substituted for it, the generation of younger sons affected by the change would have good

cause for complaint, unless their interests were expressly reserved. Again, if a father had led his children to count upon an equal division of his property, and were then to accumulate all upon the eldest son, a palpable wrong would be done to all the rest. But the supposed grievance of existing younger sons who receive the small fortunes to which they were born, and have always looked forward, will not bear a moment's investigation. It is in no respect more real than the grievance of those who are born to no fortune at all, and look wistfully at the inherited wealth of the richer classes. Indeed, the cadets of territorial families who are disposed to regard themselves as the victims of injustice, may well reflect that, but for the institution of Primogeniture, those families might perhaps have little or no territory in their possession, but might long since have been merged in the mass of the community. Except where the law steps in, on intestacy, to defeat the known intentions of a father, or a father disappoints the hopes encouraged by himself to aggrandise an eldest son, it can hardly be said that Primogeniture involves *injustice* to younger children. Whatever injustice it may involve is sustained by society at large, and though society consists of individual members, those of its members who ultimately suffer most by the operation of Primogeniture are certainly not to be found in families which owe their existence to it.

Still more irrelevant are the attacks which have recently been made on Primogeniture from a communistic point of view. Communistic theories of property, if valid at all, are valid not against any particular rule of succession, but against individual proprietorship as such, or against the ample and peculiar rights of English landlords—rights of which no proprietary class is more tenacious than new purchasers. No doubt it is a perfectly intelligible proposition that all the land in the kingdom ought to be "nationalised" and placed under public management, because individual owners cannot be trusted with full dominion over that part of the earth's surface by which and upon which all natives of England must live, unless they choose to emigrate.

It is evident that, apart from all other objections, this doctrine is the very negation of the belief in peasant-proprietorship and "the magic of property," being, in fact, an essentially urban sentiment, and inevitably destructive to all independence of rural life. Nor can it be said that our experience of corporate administration, in the case of lands held by collegiate, ecclesiastical, and municipal bodies, as well as by trustees of charities, is such as to recommend the substitution of public for private ownership on a much grander scale. At the same time, it is incontestable that land has actually been treated by all governments, not excluding our own, as more within State control, for many purposes, than other kinds of property; and it is possible to conceive circumstances under which it might be expedient to extend State control much further over the soil of these islands. But what has all this to do with the right of Primogeniture? and what consistency is there in a programme which couples the abolition of that right and the adoption of Free Trade in land, with provisions designed to withdraw from the market and consolidate into large municipal domains more and more of the properties which are already supposed to be too few? This is not the place to discuss the moral or economical aspects of these provisions; suffice it to point out that, except so far as they are aimed at overgrown private estates, they have nothing in common with the policy of reforming the law and custom of Primogeniture. This policy assumes the maintenance of private property, and is directed to its more equitable distribution among individuals, without contemplating a return to a communal system of ownership, which, if accepted, would supersede all laws of inheritance and powers of disposition. It is the more necessary to insist on this point, because the cause of Primogeniture has been strengthened and the efforts of its opponents weakened, by the unfounded impression that it cannot be touched without reconstructing our whole law of property, whereas no more is demanded or required than an amendment of one single chapter.

The most familiar, as well as the strongest, arguments in favour of Primogeniture as it exists in England are derived from considerations which must be called, in the largest sense, political. It was as a powerful bulwark of our landed aristocracy that Burke defended it in his "Appeal from the New to the Old Whigs," emphatically declaring that "without question it has a tendency (I think, a most happy tendency) to preserve a character of consequence, weight, *and prevalent influence over others*, in the whole body of the landed interest." The Real Property Commissioners appointed in 1828 fully endorse this opinion in their first Report, which contains a laudation of the settlements then in use as the best means of "preserving families," and as investing the ostensible lord of the soil "with exactly the dominion and power of disposition over it required for the public good." The English law of intestacy is regarded by the Commissioners with equal approbation, since it "appears far better adapted to the constitution and habits of this kingdom than the opposite law of equal partibility, which, in a few generations, would break down the aristocracy of the country, and, by the endless subdivision of the soil, must ultimately be unfavourable to agriculture, and injurious to the best interests of the State." Very similar opinions are expressed by Mr. McCulloch, in combating the well-known *dictum* of Adam Smith, that "nothing can be more contrary to the real interest of a numerous family than a right which, in order to enrich one, beggars all the rest of the family." Mr. McCulloch, indeed, though he condemns the old indestructible Scotch entails, since abolished by law, treats it as a characteristic merit of English Primogeniture that it sustains a high standard of luxury among country gentlemen of which the example is not lost upon the mercantile classes.

If we analyse this plea for Primogeniture somewhat more closely, it will be found to resolve itself into several distinct lines of reasoning. In the first place, it is alleged, or rather suggested, that without Primogeniture it would be impossible to maitanin an hereditary

peerage. The sufficient reply to any such allegation is that an hereditary peerage may be kept up, and is kept up in some Continental states, either by means of *majorats* specially created, or by making certain estates "run" with the titles derived from them, without any general law or custom of Primogeniture. Moreover, unless Primogeniture be defensible on other grounds, as beneficial to the whole community, it would surely be monstrous that it should be imposed on some two hundred thousand landowning families—not to speak of those who may be rendered landless by its indirect operation—for the sake of the few hundred families composing the hereditary nobility. In fact, Burke himself, with all his aristocratic bias, was careful not to rest the case on so narrow a ground, and few admirers of Primogeniture would now venture to advocate it in the interest of the Upper House, as distinct from that of the nation at large.

But, secondly, it is urged, and not without great force, that Primogeniture is actually productive of greater benefits, political and social, to English society as a whole than could be expected from a system of more equal partibility. It is better, we are told, for rural England at least, to be paternally governed by a comparatively limited hierarchy of eldest sons, whose successors are usually designated long beforehand, than for estates to become subject to division once in each generation, with the risk of passing into the hands of new purchasers having no ancestral connection with land. It is contended that an heir born to a great position, and trained from his earliest years to make himself worthy of it, acquires habits and is fortified by motives, which are powerful securities for his future virtue and capacity. This ideal landowner, having been thoroughly instructed in all the manifold duties of property during his father's lifetime, and conscious that a large body of tenants and dependants look to him for guidance and example, enters upon the management of his estate in a spirit altogether superior to commercial self-interest, prepared to do for it what no mere land-

speculator would think of doing, and no small proprietor could afford to do. If he is a religious man, he builds churches in neglected hamlets; if he is an agriculturist, he sinks more in drainage and farm buildings than he will ever live to receive back in rent; if he is a social reformer, he erects model cottages, carries out sanitary improvements, patronises schools, or devotes himself to bringing forward the most promising youths in the parishes of which he is lord. In all these enterprises, as well as in the unpaid services which he renders on the magisterial bench, on local boards, and in the varied spheres of influence open to resident landlords, he is actuated by no hope of pecuniary reward or even of personal gratification, but rather by that peculiar sense of honour, compounded of public spirit and family pride, which has played so large a part in the history of England. His character, thus developed, exhibits a marked individuality, but it is by no means a one-sided individuality. With education enough to understand the economical and legal questions which he is daily called upon to settle in practice; with leisure enough to follow the course of affairs both at home and abroad; with refinement enough to appreciate art and literature; with energy enough to enjoy a life of constant activity in which "county business" is relieved by field sports and a laborious summer holiday; with independence enough to smile at official favours or displeasure;—the model English country gentleman represents a species which has never been developed in any other country, and the absence of which goes far to account for the failure of local self-government in France. Is it, we are asked, a legitimate object of state policy to promote the gradual extinction of this class, and meanwhile to disorganise the whole structure of family life within it, for the sake of any doubtful advantage that may be gained by a wider distribution of proprietary rights?

Such a landlord as has been described may be taken as the embodiment of the English landed aristocracy, *as it should be*, from the political and social point of view. Possibly an equally attractive and not less faithful

picture might be drawn of a landed democracy, *as it should be,* illustrated by Swiss and American experience. We have not, however, to deal with ideals, but with realities; not with exceptions, however numerous, but with general tendencies. Let it be granted, once more, that a high standard of political and social responsibility is recognised by a very large number of English country gentlemen—the special products, *ex hypothesi,* of Primogeniture; and, further, that an institution so bound up with much that is admirable should not be lightly disturbed. Still, we are bound to inquire whether these results have not been purchased too dear; whether the continued maintenance of Primogeniture in its integrity involves no countervailing evils; and whether a nearer approximation to ancient usage and foreign codes of land-tenure might not conduce to greater stability and greater unity in our body politic.

It is certainly impossible to ignore the grave political danger involved in the simple fact that nearly all the soil of Great Britain, the value of which is so incalculable, and progressively advancing, should belong to a section of the population relatively small, and progressively dwindling. More than twenty years ago, Mr. Porter, a very high authority on economical statistics, arrived at the conclusion that "with scarcely any exception, the revenue drawn in the form of rent has been at least doubled in every part of Great Britain since 1790." In the period which has since elapsed the same causes have continued to operate with still greater activity. It is stated in the report lately issued by Mr. Goschen, as President of the Poor-Law Board, that the annual value of lands, houses, railways, and other property assessed to the income tax, under Schedule A, rose from £53,495,375 to £143,872,588 between 1814 and 1868; and this must be exclusive of the immense sums (estimated by Mr. A. Arnold at £100,000,000) received by the landed interest from railway companies, over and above the market price of the land thus sold. But it is the less needful to enter minutely

into any such calculations, inasmuch as it is not disputed that for many years past the rental of England has been constantly on the increase; while the fact that persons are willing to invest in land at a low present rate of interest is the best proof either that a further increase in its annual value is expected, or that its annual value is no measure of its real worth to a purchaser. In short, the man who buys land buys not only what may pay him so much per cent., but what may give him social position, and power over his tenants and neighbours. It is precisely this which renders the undue concentration of landed property so detrimental to public interests in quiet times, and so perilous to its possessors in times of revolution. Now, whether the aggregate number of English landowners be above or below 200,000, it is certain that a very few thousands, and probable that a very few hundreds of them possess more land than all the rest together, including the sites of London itself, and many of our greatest cities. Had the legal rights actually possessed by such proprietors as the Marquis of Westminster been strained to the utmost, instead of being exercised for the most part with forbearance and discretion, legislative interference would assuredly have been needed to avert a revolutionary solution of the English land question. Very serious issues, too, have already arisen in England upon which the interests of rural landowners have been ostensibly in antagonism with those of the commercial and industrial classes. Still more serious risks of collision between town and country are foreshadowed by recent events in France, where the millions of peasant proprietors constitute the one great barrier against Communism. Were it possible to imagine a similar crisis occurring in England, it is to be feared that no similar barrier could be presented by the handful of great proprietors, however powerful their existing influence, who have profited so enormously, and with so little effort of their own, by the growing prosperity of the country during the present century.

In the next place, we cannot and must not ignore

the less favourable aspect of Primogeniture in its relation to public life and national energy. Mr. W. L. Newman, in a remarkable essay on the "English Land Laws," speaks of their tendency "to establish in the centre of each family a magnificently fed and coloured drone, the incarnation of wealth and social dignity, the visible end of human endeavour, a sort of great Final Cause, immanent in every family." Without adopting this somewhat invidious conception of the system, we may well ask ourselves whether it is, on the whole, for the public good to encourage the development of a class wholly dependent on birth, and independent of merit, for the command of all that makes life desirable. Berkeley asks—"What right hath an eldest son to the worst education?" and Bacon, after describing a new expedient for defeating the recent legislation against entails, touches in a pregnant sentence the very bottom of this question:—"Therefore, it is worthy of good consideration, whether it be better for the subject and sovereign to have lands secured to men's names and blood by *perpetuities*, with all the inconveniences above-mentioned, or to be free, with hazard of undoing his house by unthrifty posterity." No doubt Primogeniture creates a "leisure class," but is this an unmixed benefit? "Leisure" may be essential to æsthetic and intellectual culture, but it is the leisure earned by honourable exertion or guaranteed by a discriminating use of endowments, not the leisure inherited as a right attaching to private property. It would be difficult, indeed, to show that our peerage and landed aristocracy, with all their overwhelming advantages, have contributed one-half so much to science, literature, or art, as the rest of the community who have been thrown upon their own labour for the means of making their bread. Even in politics, where eldest sons long enjoyed a precedence that might easily have proved exclusive, younger sons and men of no family at all have more than equalled them in the attainment of great eminence; and it is no absurd opinion that England would have produced a larger number of really illustrious men, if

she had abandoned Primogeniture long ago. Were the inheritance of a great name and fortune a security for public virtue, we should expect to find the standard highest in the most exalted order of our nobility; whereas it is too notorious to need specific demonstration that an exceptional indifference to such motives has of late been manifested by persons of ducal rank. No doubt, these are exceptions, but they are by no means rare exceptions. They are exceptions, moreover, of which Primogeniture must bear the whole discredit, for they are the direct result of settling princely territories upon unborn heirs, of whose capacity and character there is not the smallest presumption. On the other hand, the whole credit of instances, happily more numerous, in which a noble estate is nobly administered, cannot fairly be assigned to Primogeniture. Before we can be assured that society is a clear gainer by the existence of a great landowner, combining every perfection of his type, we must be satisfied that he does more good than all the yeomen whom he displaces, and more than he would have done himself if compelled to win his own position in the world, perhaps struggling, like Warren Hastings, for the redemption of a lost patrimony.

Indeed, the merits so freely claimed for Primogeniture from this point of view, only appear irresistible so long as we leave out of sight those which may be claimed for the alternative. When, for instance, it is urged that no incentive to honourable ambition is so potent as the prospect of founding a family, it is forgotten that, whatever be the force of this incentive, it is exhausted by one individual to the detriment of his descendants. The first bearer of a title may have rendered important services to the state in the attempt to achieve success; but no sooner is success achieved, than an indefinite series of male successors is placed above the operation of the very motives which inspired and ennobled the exertions of their ancestor. Again, when it is contended that Primogeniture keeps up the local settlement of families, which is assumed to be an unmixed benefit, it is entirely

forgotten that while it roots the elder branch for the time being in the soil, it uproots all the others. The eldest male in each generation is selected to occupy the family mansion and estates, but the other members of the family are by the same act divorced from the place of their birth, and scattered abroad to seek their living in other parts of England, in the metropolis, or in the colonies. This dispersion of families, which does not equally prevail in any other class, is, in fact, often represented as one of the blessings incident to Primogeniture. It is by no means uncommon to hear eloquent discourses on the happiness of younger sons in having to start in life without a competence, and especially without a competence in land, by persons to whom it never occurs that, if the heritage of poverty be so enviable, it would not be difficult to devise means whereby it might be shared by eldest sons also.

Equally delusive is the notion that Primogeniture operates as a democratic solvent upon the landed gentry, inasmuch as younger sons, who might otherwise help to form an exclusive aristocracy, are thus constantly thrust down into the plebeian class. The fusion of the upper and middle classes in England, so far as it exists at all, is not the effect of Primogeniture, but of national temperament. In Germany, where titles descend to younger sons, the utmost insolence of family pride is manifested by the poorest scions of nobility; in America, where popular opinion almost enforces the equal division of property, social equality is complete, and younger sons are more industrious than in England. In short, men's habits and bearing are governed rather by early training than by future prospects; and a youth brought up in one of our ducal palaces, though destined to be cut off with a beggarly fortune, is more likely to be an aristocrat in character than if brought up in a frugal home with princely expectations.

But these are not the only, or the main, fallacies which beset the social argument in favour of Primogeniture. That argument rests upon the further assumption that entails and settlements are, at least, effectual to give

us a resident proprietary capable of discharging the first duty of property, by developing to the utmost the productive energies of the soil. This assumption will scarcely bear examination by the light of every-day experience. Instead of Primogeniture creating a wealthy resident proprietary, it is certain that it produces, and almost demonstrable that it must produce, the very opposite effect. Most of our great aristocratic houses possess more than one family place. It is impossible for the head of the family to reside continuously at each; during the whole London season he is nominally in attendance on the House of Lords, and, unless he is exceptionally conscientious, he easily satisfies himself with a flying visit once a year to his less favoured estates. In short, absenteeism is the inevitable consequence of a system which concentrates landed property in few hands, and, where absenteeism exists, the *raison d'être* of Primogeniture is materially weakened. But this is not all. Entails and settlements provide an ample security against landed property being divided according to the dictates of natural affection, but they provide no adequate security against its remaining practically without a responsible owner during a whole lifetime, or even against its ultimately passing into the hands of strangers. If a duke ruins himself by gambling, and is declared bankrupt, his domains may be managed for the sole benefit of his assignees during half a century, unless he can obtain the concurrence of his eldest son to sell them outright. In this case, the whole inheritance of a family may be converted into money at a stroke by collusion between two of its members, for the exclusive profit of themselves or their creditors, without the semblance of consent on the part of the younger children and junior branches, who are supposed to have a moral, if not a legal, interest in the land thus alienated. It is true that where such things happen—and such things do happen—the farmers and cottagers on the estate usually change masters for the better, and this fact points to what is the inherent weakness of Primogeniture, economically considered. It vests the control of property, wherever it pre-

vails, not in a series of hereditary landowners, but in a series of hereditary life-tenants, or "limited owners," as they are now called, without the full rights and sense of proprietorship, sometimes heavily embarrassed, and almost always with a standard of unproductive expenditure more than commensurate with their means. Let it be granted that somewhat undue stress has been laid on this particular topic by some opponents of Primogeniture, who measure its economical defects by the whole difference between the actual produce of England, and that which might be realised if the entire area of the country, including the waste lands, were brought into the very highest state of cultivation. Let it be granted also that ancestral connection may count for something against a superior command of capital available for agricultural improvements, that rents are seldom excessive on settled estates, and that, until the poor in country districts can be raised to greater independence, they might often suffer by the substitution of strictly commercial relations for their present semi-feudal connection with the family on whose property they are settled. Still, we may confidently appeal to persons conversant with the sale of land to confirm the inference deducible from the laws of political economy—viz., that, in the majority of instances, when land comes into the market, it passes from worse into better hands, and that, consequently, so far as Primogeniture artificially obstructs Free Trade in land, and saves the estates of spendthrifts from partition, it works a substantial injury to society. The new purchaser may be comparatively ignorant of country life, but he is not encumbered by rent-charges of indefinite duration, by mortgages contracted to pay off his father's debts, by dynastic traditions of estate-management, by the silly family pride which must needs emulate the state of some richer predecessor, by the passion for political dictation to which the refusal of leases is so frequently due, or by the supposed necessity of satisfying the supposed expectations of the neighbourhood. Having no liabilities of a past generation to discharge, he can make a liberal provision for younger children out of his rental, by way

of life insurance or otherwise; and if this should not suffice with such addition as he may be able to make from invested funds, there is nothing to prevent his leaving them portions of the estate or directing portions to be sold for their benefit. Meanwhile, he is master of his own property, and free to develop its resources without feeling that he is either compromising or unjustly enriching an eldest son.

This brings us back to what may be called the domestic aspect of Primogeniture; that is, to its influence upon the happiness and welfare of the households immediately affected by it. Apart from the question whether upon other grounds it is expedient, in the interest of the State, to perpetuate a landed aristocracy, we have to consider the question whether the English institution of Primogeniture conduces to family peace and virtuous conduct within that aristocracy. This is a question which has been very fully discussed by Mr. Locke King and Mr. Neate, the latter of whom specially insists on the humiliating and unbecoming position in which the father as life-tenant is placed towards the eldest son, as tenant-in-tail in remainder. "It is a hard thing," he says, "for a father to have to confess and excuse his extravagance to a son, or to justify his desire for a second wife. It is a worse thing for a son to judge of his father's excuses, or to decide virtually, as head of the family, whether it is right that his father should be allowed to marry again." Yet this is but one of the forms in which our system of entails operates to sow discord and undutiful feeling in families. Long before the heir to a great estate emerges from boyhood, he is made aware that his fortune does not depend on his father's will or his own deserts. He soon learns to consider the estate as his, subject only to his father's life interest, and expects to receive an allowance making him to live in idleness, so that a double burden is laid upon the land for the support of two establishments yielding no agricultural return. As the father grows older, and the son's expectation of succeeding becomes nearer and nearer, painful jealousies are very apt to spring up between them, till at last, perhaps,

not a lease can be granted or a fall of timber authorised, lest it may prejudice or be represented as prejudicing the reversion. Of course, there are many examples of families owning settled estates, where the father and eldest son work together in harmony, both looking upon themselves as trustees not only for the rest of the family, but for all placed under their control. But it is self-evident that an indefeasible right of succession vested in the eldest son must tend to weaken parental authority, and to facilitate borrowing money upon the security of reversionary interests.

We have already seen that it is fallacious to speak generally of Primogeniture as inflicting injustice upon younger children. It is, however, equally fallacious to describe it as securing younger children, regarded individually, a full equivalent for an equal share of the family heritage upon the father's death. In what does this imaginary equivalent consist? Certainly not in anything capable of being reduced to a definite conception, unless it be the enjoyment of a rank determined by that of their elder brother, and of a claim on his influence for their advancement in life, as well as the maintenance at his expense of a country seat where they are welcome and honoured guests. Of these privileges, the two last depend entirely on their remaining on good terms with the head of the family, whose interest naturally centres in his own children rather than in his father's children, and whose residence, however freely thrown open to them, cannot after all be treated as their home. As for the first privilege, it may well be doubted whether rank or status out of proportion to a man's pecuniary means be not an encumbrance rather than a boon To have acquired, under a parent's roof, habits, tastes, and ideas of style which cannot be gratified in maturer years without running into debt, has been the ruin of many a promising career. To this cause, more than any other, is traceable the self-imposed celibacy too prevalent among younger sons of good family in the metropolis, and inevitably prejudicial not to morality only, but to steadiness and earnestness in practical work. By this

cause more than any other was fostered the shameful jobbery of former days, when the Church, the Army, and the Civil Service, were refuges for the privileged destitute, and junior members of the aristocracy were said to rely on the Budget for their ways and means. Now that patronage has been most properly restricted, that capital and mercantile connection is almost essential for success in business, and that even the Bar is becoming more and more dependent on the lower branch of the legal profession, it is very doubtful whether younger sons of county families stand a fair chance in the race of life against young men of the middle class with equal fortunes, more active backing, less sensitive feelings, and a more utilitarian education. If they have no right to complain of a lot which appears very enviable to most of their countrymen, and which only needs exceptional energy to make it so, yet they owe no gratitude to a system which inverts the natural order of human life, accustoming them to ease and luxury in youth, but offering them no adequate provision either for an early settlement or for an early retirement.

From every point of view, then, we are led to an adverse judgment on the extreme development of Primogeniture established in England by the joint operation of law and custom. It must be condemned, politically, as aggravating the perilous dualism of town and country; as affording the very minimum of constitutional stability to be derived from the conservative instincts of proprietorship; and as giving a very limited body of landlords a preponderance in the State, none the less unreasonable and obnoxious because it is defended on the untenable ground that it is bound up with the existence of the Upper House. It must be condemned, socially, because it helps to stereotype the caste-like organisation of English classes "in horizontal layers," setting up in thousands of country parishes a territorial autocracy, which, however benevolently exercised, keeps the farming and labouring population in an abnormal state of dependence on a single landowner, while the rural districts have gradually been deserted by the lesser

gentry who helped to bridge over the chasm between rich and poor in ancient times. It must be condemned, economically, because it cramps the free play of economical laws in dealings with land, multiplies the difficulties and cost of transfer, and discourages a far-sighted application of capital to agriculture, either by the landlord, who is usually a mere life-owner, or by the tenant, who seldom holds a lease. It must be condemned, morally, because it holds out to almost every eldest son of what must still be regarded as the governing class the assurance of wealth and power, whether he be worthy of it or not, and subject to no condition but that of surviving his father. Lastly, it must be condemned, in the interest of family government, because it fatally weakens the authority of parents over eldest sons, and introduces a degree of inequality into the relations of children brought up together, which often mars the cordiality of their intercourse in after life.

V. These considerations are amply sufficient to prove the expediency—not to say the necessity—of reforming the institution of Primogeniture, so far as it depends on law. Upon one principle to be embraced in any such reform, public opinion has long pronounced itself so decisively that it may be taken as already conceded. This principle is the assimilation of real to personal property, in respect of distribution on intestacy. Even the stoutest adherents of Primogeniture, as a custom, are beginning to allow that, in default of a will or settlement, the law should incline to equality, especially as intestacies are more likely to occur in poor than in wealthy families. To what extent a change in the law of succession on intestacy would affect the practice of testators and settlors is a matter of mere speculation, on which it would be rash to speak confidently. Many are of opinion that no legal presumption in favour of equal partition would avail in the least to counteract the rooted propensity of Englishmen, once possessed of land, to found and keep up a family, but that, on the contrary, people who are now content to die intestate would forthwith make wills disinheriting all their children but

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one. This opinion appears to derive some little weight from the history of landed property in Kent, where a great many estates have been disgavelled, and where it is said that wills are not more favourable to younger sons than in the rest of the island. Others believe that a deliberate reversal of the policy hitherto sanctioned by the Legislature would exert a powerful influence on popular sentiment, and, coupled with the direct operation of the new law, would leave a very sensible impression on the rural economy of England within two or three generations. In support of this belief, it may be urged that, in a vast number of cases, the form of settlements and wills is practically dictated by the solicitors who frame them, and who themselves follow, more or less exactly and more or less consciously, the course prescribed by the law on intestacy. A man informs his solicitor that he knows little of legal phrases, but that he wishes to settle his property strictly in the usual and right manner; upon which the solicitor makes a will, giving all the land to his eldest son, and dividing the personalty, if any, among his widow and children, nearly in accordance with the Statute of Distributions. So close is the correspondence of the custom with the law, that whereas, in default of sons, the law vests the land in all the daughters and not in the eldest daughter only, the same rule is adopted, with a very slight variation, in most wills and settlements of realty. Were the law altered, however, and especially were it altered after a thorough discussion of the whole question, the uniformity of these usages would be effectually broken. Solicitors would feel bound to ask for more precise instructions from their clients; testators and settlors would more fully realise their responsibility; and the dispositions of landed property hitherto embodied in the common forms of conveyances would have to be reconsidered by the light of modern ideas. Here and there an old property would devolve to several children under the law of intestacy, and yet would be kept in the family by means of such fraternal arrangements as are made every day on the Continent. A few instances of

this kind would go far to dispel prejudices against equal partition, while, in the case of properties to which no family sentiment attaches, directions to sell and divide the proceeds in specified proportions could hardly fail to supersede, by their superior convenience, the plan of devising to one child and charging portions for all the rest. And thus, indirectly, the mere assimilation of real to personal estate, on intestacy, would probably effect a considerable though gradual revolution in the English land system, even though not supplemented by any other enactment.

It is needless to dwell at any length on the provisions of the measure introduced by the Government for this purpose in the session of 1870, and destined, no doubt, to be re-introduced in that of 1872. It is enough to point out that, unlike the Bills introduced in several years by Mr. Locke King, it is intended to cover legal as well as equitable, or beneficial, estates, but that it does not go the length of vesting in the executor realty passing by devise, in the same manner as personalty, including leaseholds, passing by bequest, vests in the executor under the existing law. There are other details of the Bill, particularly the saving clauses, which may invite professional criticism in committee; indeed, it would be impossible to frame a Bill, modifying our law of real property in so vital a part, with too great care or discrimination.

A far more serious and difficult issue arises upon the various proposals for amending the existing law of entail and settlement. These proposals usually assume one of two general forms, widely differing, in principle, from each other. Either they contemplate a re-construction of our land system on the model of the Code Napoléon, or they are directed to a simple restriction of the power whereby estates can be tied up for a life or lives in being, and a period of twenty-one years afterwards. Both of these schemes purport to promote Free Trade in land, and to check its aggregation in the hands of an exclusive aristocracy: the former, by constantly and forcibly breaking up properties into fragments, easily

saleable; the latter, by prohibiting or curtailing the limitations which prevent their coming into the market. Thus, both involve an abridgement of the liberty now enjoyed by English settlers and testators, but with this important difference, that whereas the one scheme would only abridge the liberty of a bygone generation to control the action of the living generation, the other is directly at variance with full individual proprietorship. Under the French system of enforced partible succession, the property of each citizen is rigidly settled, with the exception of a fixed disposable portion, but the settlement is made by the State, instead of by himself, and therefore without regard to peculiar family circumstances. The causes which facilitated the introduction of this great legal revolution into France have been explained by MM. de Tocqueville and Lavergne, and Mr. Cliffe Leslie has done much to repel the objections, both social and agricultural, which have been persistently urged against it in this country. It is a remarkable fact that no French Government, whether Legitimist, Orleanist, Imperial, or Republican, has ever attempted to reverse it; nor can we fail to be struck by the opinion so generally expressed in the Reports above cited, that in countries which have borrowed this article of the Code Napoléon it is believed to work beneficially. On the other hand, it is not less significant that no practical English statesman has ever advocated its adoption, and that even those English theorists who have least sympathy with the rights of property have apparently no great partiality for the agrarian constitution of France and Belgium. Their ideal is not the infinite disintegration of landed property among peasant owners, which they would regard as a retrograde measure, but, on the contrary, its concentration in the hands of one national land commission, or a number of municipal land commissions, under whom private individuals, if allowed to call any land their own, must be content to hold leases. With that far larger and more important class who are engaged in amassing wealth in the assured hope of leaving it as they please, enforced partible succession would naturally find as little

favour as with the landed aristocracy; and if there be a leaning in this class towards any foreign land law, it is not towards that of France, but towards those of the United States and our own colonies. As for the great mass of Englishmen, it may be taken as certain that a law placing the State *in loco parentis*, and declaring that a father who has made his own fortune shall not be free to deal with it by will, or to disinherit a child, however worthless and ungrateful, would be in the highest degree unpopular. Upon these grounds, apart from all economical considerations, we must dismiss this proposal as an impossible solution of the problem before us—impossible because it would satisfy no class or school of thought in England, because it has no foundation to support it in the organic framework of English society, and because the very ideas necessary to lay such a foundation are entirely wanting. It would be rash to assert that so direct an interference with personal rights will never be accepted by this country, but we may safely assert that if the only alternative to English Primogeniture were indefeasible equal succession, that institution would probably fulfil the prediction of Adam Smith, and survive for generations longer.

For different, but equally cogent reasons, we must reject as impracticable the bold suggestion of Mr. J. S. Mill, who condemns both the English and French rules of succession, that it would be expedient to restrict, "not what any one may bequeath, but what any one should be permitted to acquire by bequest or inheritance," so that it should not exceed a *maximum* "sufficiently high to afford the means of a comfortable independence." A very little reflection upon the practical application of this suggestion ought surely to convince us that even if it were possible to make it the basis of a testamentary code, it would be hopeless to carry it out with any approach to real equity. But a detailed criticism of it would here be out of place, because it is not so much designed to check the abuses of Primogeniture as to realise a favourite idea of Bentham, by diverting the surplus of private accumulations into the public treasury

—an object which may or may not be desirable in itself, but which is beyond the legitimate scope of our present inquiry.

By what means, then, can the vices inherent in the English system of entail and settlement be remedied without impeaching the essential rights of proprietorship and disposition? According to some law reformers, nothing more is required for this purpose than a simple legislative prohibition of entails upon unborn children. There can be no doubt that such a measure, if so framed as to exclude the evasion of its principle by the creation of "powers" or otherwise, might reduce by twenty-one years the period for which land can be lawfully kept *extra commercium* by the force of a single instrument. But it would leave the mischief of limited ownership and contingent incumbrances wholly untouched within the allotted circle of a life or lives in being, or rather, it would stimulate family pride and legal ingenuity to devise new modes of settlement which should make up by their greater complexity for the brevity of their restrictive operation. Indeed, it is quite possible that a mere prohibition of entails upon unborn children, without any further change in the law, would have less practical effect than some minor amendments of a less sweeping character. In the first place, a broad distinction might be drawn between settlements made by will and settlements made by deed *inter vivos*, especially upon marriage. Posthumous dispositions of all kinds are watched in these days, on very sufficient grounds, with increasing jealousy, and posthumous entails are liable to peculiar objections which do not attach to others. When they are derived from wills executed in prospect of death, they are far more likely to be capricious and self-defeating than if they had originated from the same mind in the full vigour of life; if the will has been executed long before the testator's death, from which it, nevertheless, "speaks," it may not represent his final intention, and may even contravene his first intention, owing to circumstances which have occurred since the date of its execution. In any

case, the power of entailing by will is exercised secretly, and with much less security for deliberation than is afforded by the negotiations that usually precede a marriage settlement, which is manifestly, of all settlements, the one entitled to most indulgence. Upon this ground, a second distinction might be drawn between entails upon the unborn children of the settlor himself and entails upon the unborn children of some other person. It may, possibly, be reasonable to allow a man about to marry the power of providing for his own unborn children by an ante-nuptial settlement, and yet quite unreasonable to entrust the same power to a stranger, animated, perhaps, with the senseless ambition of immortalising an ignoble name. But it may well be doubted whether it can ever serve any good end that a bachelor should be enabled to designate as his heir a child which may never be born, so irrevocably as to defeat his own capacity of choosing among his children when they are born, or rather when their characters are sufficiently formed. This anomaly might be rectified by an enactment importing into every settlement, by implication of law, a power of appointment, to be exercised at the discretion of the father, but only among the children, and, when exercised, to override the entail. It might also be provided that every tenant for life under an ordinary family settlement should have the power, by a like implication of law, to charge the estate, for the benefit of his wife or younger children, to an amount bearing a stated proportion to its annual value. The proportion so fixed would thenceforth constitute, so to speak, a legal standard of family justice, and though its adoption would be permissive and not compulsory, the consciences of many would be awakened to a sense of their parental obligations, till it came to be thought a disgraceful thing for a nobleman with £50,000 a year to cut off his daughters, either married or single, with portions of £5,000 or £10,000.

A far more effective blow might be struck at Primogeniture, as founded on family settlements, by absolutely putting an end to life-estates in land. Supposing this to

be done, but the right of entailing to be preserved, each successive head of a family would be left to inherit the undivided property as tenant-in-tail instead of as tenant for life, unless the entail had been cut off by his predecessor. The chief difference from the family point of view would be, that eldest sons, being entirely in the power of their fathers, who might exercise the right of disentailing at any moment, would be, as it were, bound over in heavy recognisances to good behaviour. The chief difference from the economical point of view would be, that by virtue of the same right the ostensible owner of a property might charge it for his debts to its full value, instead of only to the value of his life interest. It is, however, incredible that, under such a law, the passion for making eldest sons would remain unabated. Since younger children would be consigned to beggary, where the father's property consisted solely or mainly of land, unless they were given shares of it or charges upon it, an universal custom of breaking entails for this purpose would probably spring up, and apportionments so made out of a fee-simple estate would almost inevitably be far less influenced by the spirit of Primogeniture than re-settlements of the prevailing type.

But, having gone thus far, how can we avoid going one step further? It is self-evident that if life-estates were destroyed, no freehold estates would remain, but estates-tail in possession and estates in fee-simple. Now, since estates-tail in possession are convertible into estates in fee-simple at the will of the owner, who has usually the strongest motive for so converting them, it would appear that very little can be either gained or lost by retaining them. We are, therefore, once more brought face to face with the prior and larger question whether any freehold estate in land short of absolute ownership should be recognised by the law. This question is not to be disposed of by dogmatic assertions that whatever rule be applied to realty must be applied to personalty likewise. To such assertions a controversialist might rejoin that personalty and realty have not in past times been treated by the law on this footing of equality. For

instance, the heir taking all the land on intestacy, was specially exempted from the rule that sums advanced to sons in their father's lifetime should be deducted from their shares at his death, while, by a monstrous perversion of justice, a mortgage debt contracted on the security and for the benefit of the land, was primarily chargeable on the personal estate until Mr. Locke King's Act was passed in 1854. This, however, is not the place to multiply proofs of the partiality formerly shown to land by a legislature principally composed of landowners, still less to discuss the incidence of taxation upon land as compared with personalty. There are very strong reasons for objecting to complicated reservations of future interests in personalty, and for doubting whether the efforts of the dead to regulate the enjoyment of wealth by the living in the interest of the unborn, are sufficiently repressed by the rule against perpetuities and the Thelusson Act. But these reasons have little or nothing to do with the law and custom of Primogeniture, which must stand or fall by the peculiar claims and obligations of real property. We are here concerned with the settlement of land, and of land only; nor is it difficult to show that land is, in this regard, a thing *sui generis*, over which the State may and ought to assume a control, far more stringent than it would be politic to assume, but not than it might rightfully assume, over other kinds of property. The common arguments in support of this position are derived from the fact that land is strictly limited in quantity, at least within the borders of each kingdom, and that its resources in a virgin state are not the production of human industry. These arguments are so far valid as to rebut what does not need to be rebutted—the presumption of any binding analogy between land and money. But the one decisive justification for treating land as an entirely exceptional subject of property is to be found in the entirely exceptional power which the possession of it confers. If we contemplate the supreme influence wielded by landowners, collectively, over the condition, and especially over the dwellings of the people; if we

remember that upon their estate-management depend the productiveness of the soil and the food-supplies of the country; if we realise that not only is the land, in a physical sense, "the leaf we feed on," but, in a political sense, the substratum of our whole administrative machinery; we shall not fail to perceive the full absurdity of postulating that it should be exactly assimilated to stock in plasticity for the purposes of settlement—but not, forsooth, in facility of transfer, or in the course of devolution on intestacy.

The more thoroughly we appreciate the almost insuperable difficulty of partially reforming an institution so deeply rooted and widely ramified as the custom of entail and settlement, the more irresistible will appear the conclusion that it is better to reform it altogether, by abolishing all kinds of ownership except ownership in fee-simple, with all customary and copyhold tenures, and by imposing proper restrictions on the length of leases. The conception of such a measure would demand an effort of constructive statesmanship quite as bold as that of the Irish Land Bill, while its execution would affect still vaster interests, and must be spread over a longer period of time. Once carried, however, it would cut half the knots which together make up the English Land Question. One of these knots consists in the difficulty, expense, and delay attending the transfer of land, especially in small lots, and it is sometimes assumed, too hastily, that all this could be rectified by a good system of registration, such as exists in most Continental states, where a public court does what is here done by conveyancers. It should be remembered that, even where a transfer of stock is effected by a mere stroke of the pen, a long and costly investigation must often be previously undertaken on behalf of the trustees who authorise the sale. No system of registration could bring about Free Trade in land under settlement, but a register would become invaluable both to vendors and purchasers when every name in it would be that of an owner in fee. Trusts of land, with all their vexatious incidents, would soon be obsolete when there were no reversionary interests

to be protected. Mortgages on old family properties would be rarer and more easily cleared off, when every acre of land could be turned into ready money at the owner's pleasure. They would, however, be more frequently contracted on new purchases by capitalist farmers, when it was discovered that it might be cheaper to pay interest to a mortgagee than rent to a landlord.

But these advantages, it must be confessed, might perhaps be secured by less radical methods. What cannot be secured by any method consistent with the principle of modern entails is, in one word, unity of proprietorship. A settled estate is an estate which has not, and may never have, a real proprietor. For the common family settlement is a contrivance whereby the land itself may be saved from *morcellement* at the expense of the proprietary interest, which is dissected, split up, and parcelled out into more shares than a French lawyer would think possible. This process is repeated in each generation by a family compact between father and son, in which no other member of the family has any voice, yet neither of the parties is truly a free agent, or in a position to reverse the self-renewing dispensation of which they are little more than instruments, and no single person can be identified as the author. Now let us assume that, due provision being made for vested interests, all this ingenious network of particular estates, as they are technically called, were swept away by law, and that every acre of English soil belonged absolutely to some assignable owner. Let us, further, picture to ourselves a case in which the operation of the change would be most severely tested—the case of an heir succeeding to a family property strictly entailed by its original purchaser and held together for centuries by settlements in the eldest male line, but finding himself at perfect liberty to sell it or devise it as he pleases. This is a case, be it remarked, which, but for the practice of re-settlement, would occur daily under the present system, and does occur sometimes, when the eldest son obstinately refuses to commute his estate-tail for a life-estate. It will hardly be disputed that a landowner so

circumstanced has a more enviable lot, with greater inducements and greater power to do his estate and all connected with it full justice, than if he were the mere creature of a settlement, but it may be imagined that his gain is more than counterbalanced by some loss elsewhere. Where, then, is this loss, and who is it that suffers by the substitution of ownership for life-tenancy in the case supposed? Not, surely, his ancestors, who, having brought nothing into the world, could not carry anything out, and whose memory it would be superstitious to personify. Not his wife or younger children, whom he is now enabled to endow according to his own convictions of justice, instead of according to a standard, determined by the paramount claims of Primogeniture, before his marriage, if not before his birth. Not his eldest son, who, by the hypothesis, must have come into the world, or at least emerged from childhood, after the alteration in the law, and would have been educated in the full knowledge that his birthright, if any, was at the disposal of his father. Not any more distant relatives, whose interest in family estates, unless vested, is usually most shadowy and delusive. Not unborn descendants, who might possibly inherit if the entail were perpetually renewed, under the present law, but who are equally with the dead beyond the reach of appreciable injury. In short, we strive in vain to discover any specific individual, either in *esse* or in *posse*, who could be aggrieved by the legal extinction of life-estates and estates-tail, under proper conditions of time. Still it may be said that "families," that is, territorial families, would sooner or later cease to exist without the artificial safeguard of complex settlements, and that such a result would prejudice not only the happiness of their members in all succeeding generations, but the welfare of all the rural communities grouped around them, and even of the nation at large. And thus we are led back to a point of view from which the actual results of family settlements have already been estimated, and from which it may now be useful to forecast the probable results of the alternative system.

The first, and not the least salutary, of these would be the strengthening of parental authority in those families where it is most needed. The father is, upon the whole, a wiser lawgiver and a more impartial judge within his own domestic circle than any providence of human institution, whether it be embodied in a lifeless deed or in a lifeless statute; and, as Mr. Locke King justly remarks, "if such a disposer of property did not exist, we should only be too happy to discover such a being." Invested with full dominion over his landed estate, the head of each family would no longer have any cause to be jealous of his eldest son, or feel bound to maintain him in idleness during the best years of his life. Doubtless there would still be a strong disposition in most representatives of old hereditary properties to leave the eldest son, if not unworthy, the principal family domain, with the bulk of the land; but since he would depend, like his younger brothers, upon his father's award, and could not raise money upon his expectations, he would, like them, betake himself to some profession or business, and endeavour to increase, instead of diminishing, his future patrimony. In such cases, the position of the younger children would be very much what it is under the present system, during the parent's life; but even in such cases, and still more in cases where hereditary traditions were less powerful, the father would seldom think himself justified in leaving them a mere fraction of the property at his disposal, and would often direct his outlying estates to be divided among them or sold for their benefit. In these ways land would be constantly "passing out of the family," and though some might be left back to it by childless uncles, the unity of family properties would be greatly and progressively impaired. Moreover, now and then a spendthrift who ought to have been disinherited would be allowed to succeed by a too indulgent father, and might gamble away in a year the purchases and improvements of many generations. This being the contingency which settlements on the eldest son are specially designed to prevent, and the occurrence of

which is represented by the friends of Primogeniture as an unmitigated calamity, it may be well to pause for a moment, and observe both what it does and what it does not involve.

That it does not involve any destruction or even any "dissipation" of the land itself is so obvious that nothing but the persistent use of confused metaphors could have obscured it. Money, or money's worth, can be eaten, drunk, thrown into the sea, or otherwise literally consumed in unproductive expenditure, but a fortune consisting of land can only be squandered in the sense of being transferred from the dominion of one man into that of another or several others, which may happen to be the best thing which can befall the soil and all who live upon it. Considering the enormous injury done to any estate by the life incumbency of one insolvent—not to say, one absentee—proprietor, as well as the well-known tendency of families to degenerate after one such disgraceful interregnum, the burden of proof certainly lies upon those who hold that, in such an event, the greatest happiness of the greatest number is promoted by keeping it undivided and inalienable, lest an ancient feudal name should perish out of the county. But this, as we have seen, is a very inadequate view of the whole case. Might it not be expected that if each successive heir of an illustrious house were actuated at once by ancestral pride and the fear of forfeiting his birthright through misconduct or incompetency, a healthy kind of atavism would develop itself in the landed aristocracy, and the virtues manifested by the founders of families would be more frequently reproduced in their descendants? Nay, more, does not our knowledge of human nature, confirmed by the experience of Germany, America, and the Colonies, encourage us to hope that in terminating all indefeasible rights of succession, we should be unlocking hidden springs of energy and genius, calling into action the mettle of that "lounging class" which is the reproach of English Primogeniture, infusing unwonted industry into our aristocratic public schools and universities, and making

henceforth the antiquity of a family a true mark of hereditary strength?

In the meantime, no sudden or startling change would be wrought by the new law in the characteristic features of English country life. There would still be a squire occupying the great house in most rural parishes, and this squire would generally be the eldest son of the last squire; though he would sometimes be a younger son of superior merit or capacity, and sometimes a wealthy and enterprising purchaser from the manufacturing districts. Only here and there would a noble park be deserted or neglected for want of means to keep it up and want of resolution to part with it, but it is not impossible that deer might often be replaced by equally picturesque herds of cattle; that landscape gardening and ornamental building might be carried on with less contempt for expense; that game preserving might be reduced within the limits which satisfied our sporting forefathers; that some country gentlemen would be compelled to contract their speculations on the turf, and that others would have less to spare for yachting or for amusement at Continental watering-places. Indeed, it would not be surprising if greater simplicity of manners, and less exclusive notions of their own dignity, should come to prevail among our landed gentry, leading to a revival of that free and kindly social intercourse which made rural neighbourhoods what they were in olden times. The peculiar agricultural system of England would remain intact, with its three-fold division of labour between the landlord charged with the public duties attaching to property, the farmer contributing most of the capital and all the skill, and the labourer relieved by the assurance of continuous wages from all risks, except that of illness. But the landlords would be a larger body, containing fewer grandees and more practical agriculturists, living at their country homes all the year round, and putting their savings into land, instead of wasting them in the social competition of the metropolis. The majority of them would still be eldest sons, many of whom, however, would have learned to work

hard till middle life, for the support of their families; and besides these, there would be not a few younger sons who had retired to pass the evening of their days on little properties near the place of their birth, either left them by will or bought out of their own acquisitions. With these would be mingled other elements in far larger measure and greater variety than at present—wealthy capitalists eager to enter the ranks of the landed gentry, merchants, traders, and professional men content with a country villa and a hundred freehold acres around it, yeoman-farmers, and even labourers of rare intelligence, who had seized favourable chances of investing in land. Under such conditions, it is not too much to expect that some links, now missing, between rich and poor, gentle and simple, might be supplied in country districts; that "plain living and high thinking" might again find a home in some of our ancient manor houses; that with less of dependence and subordination to a dominant will there would be more of true neighbourly feeling, and even of clanship; and that posterity, reaping the beneficent fruits of greater social equality, would marvel, and not without cause, how the main obstacle to greater social equality —the law and custom of Primogeniture—escaped revision for more than two centuries after the final abolition of feudal tenures.

THE PRESENT ASPECT OF THE LAND QUESTION.

By William Fowler, M.P.

"I believe we have no adequate conception of what the amount of production might be from a limited surface of land, provided only the amount of capital were sufficient."—Cobden.

I.

However much men may differ as to the principles on which the "Land Question," as it is called, will have to be settled, all will agree that the interest felt in it has largely increased during the last ten years, and that it is one of the questions which press for immediate consideration by Parliament. Already the Attorney-General has broken ground by promising a Bill to abolish what is known as the "Law of Primogeniture," and though this, like so many more promised benefits, still remains a thing to be hoped for rather than expected, yet the fact of its being undertaken by the Government ought to encourage reformers and inspire them with new energy. The progress of the question has, however, been delayed, and will yet be much more delayed, by the important, if not fundamental, differences which prevail amongst those who profess to have at heart the common object of a thorough Land Law Reform. On the one side are those who, like the Land Tenure Reform Association and their distinguished President, call for the resumption by the State of some portion of the revenue of the lands, and those again who wish to "nationalise" the whole of the land by buying it up from its present owners, so that it may be parcelled out into small holdings; and on the other side those who, like

hard till middle life, for the support of their families; and besides these, there would be not a few younger sons who had retired to pass the evening of their days on little properties near the place of their birth, either left them by will or bought out of their own acquisitions. With these would be mingled other elements in far larger measure and greater variety than at present—wealthy capitalists eager to enter the ranks of the landed gentry, merchants, traders, and professional men content with a country villa and a hundred freehold acres around it, yeoman-farmers, and even labourers of rare intelligence, who had seized favourable chances of investing in land. Under such conditions, it is not too much to expect that some links, now missing, between rich and poor, gentle and simple, might be supplied in country districts; that "plain living and high thinking" might again find a home in some of our ancient manor houses; that with less of dependence and subordination to a dominant will there would be more of true neighbourly feeling, and even of clanship; and that posterity, reaping the beneficent fruits of greater social equality, would marvel, and not without cause, how the main obstacle to greater social equality —the law and custom of Primogeniture—escaped revision for more than two centuries after the final abolition of feudal tenures.

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Mr. Cobden, desire to rid the land of all the trammels created by settlements and entails, to give an easy mode of transfer, and to make the ownership, with few and temporary exceptions, nothing but fee-simple ownership throughout the kingdom. The former class deal with the land as a property altogether exceptional by reason of the limits of its area—as a sort of monopoly in fact—and they therefore demand a peculiar revenue from its owners, as if licensees of the State; while the latter, admitting that land as such has peculiarities which may justify special restrictions with regard to limitations for life and other matters, still desire, as far as possible, to leave men to do the best they can for themselves with the land they possess, believing that thus more good will result to the State than by any interference with the action of private owners.

The gravity of the questions at issue is not disputed, but public attention has been recently drawn afresh to them in consequence of a remarkable speech made by Lord Derby,* in which he expressed his belief that we might double our production as a nation were sufficient capital employed in cultivation. More recently the same opinion has been expressed by Lord Leicester, in a speech delivered at Docking, and that nobleman spoke of his opinion as the result of an extensive tour of observation through England and Scotland. Some high authorities put the case even more strongly than these noblemen, but their authority is sufficient, and a very few figures will enable the reader to appreciate what their statements really involve.

During the present year it is estimated that we shall require at least 10,000,000 quarters of foreign wheat, and as we raise ourselves about the same amount, it follows that if our production were doubled, we should be just about independent, and not have to pay £25,000,000 to £30,000,000 to foreign countries for their wheat.

Then, again, we have in Great Britain 5,400,000 cattle, and 28,397,000 sheep and lambs. It is easy to

* See *Times*, September 6, 1871.

see what a change would be made in the present prices of beef and mutton were the production of these animals largely increased; and, if I understand Lord Derby aright, that production also might be doubled.*

The following table will give a clearer idea of the amount of national wealth which is involved in the question discussed by Lord Derby and Lord Leicester:†—

* Mr. Dudley Baxter ("Taxation of United Kingdom," p. 164) estimates the value of the "animals" forming part of the "farming capital" of the United Kingdom at £171,000,000. This includes, of course, the horses and the pigs.

† Compare the following, from a leader in the *Agricultural Gazette* for January 6th, 1872:—"Taking the whole United Kingdom, we have 46,177,370 acres in the hands of farmers, and only 31,465,470 people to be fed. Let any one who knows the produce of his own quarter-acre garden, and what it does towards the maintenance of his family, contrast with it this enormous acreage, arable and pasture—6·3 acres for every family of five of all ages throughout the country—and say what he thinks of the fact that out of every 100 loaves that family consumes, not more that 60 have been produced by English soil. What will he say of the fact that since 1856-62, when the number of animals—*i.e.*, 'oxen, cows, and calves'—imported varied from 80,000 to 100,000 annually; this number, excluding the cattle-plague years, has since risen to 200,000 annually, and 241,116 have been imported during eleven months of 1871? Or of the fact that whereas in 1856-7-8 the number of sheep imported varied from 150,000 to 180,000 annually, of late years the number has exceeded half a million, and in the eleven months of last year no fewer than 882,260 landed on our shores? Or, to take any other of our staple agricultural products as the test of our growing or our waning powers of agricultural produce, we have for many years been more or less dependent on other countries for our supplies of bacon, beef, butter, and cheese. Our annual imports twelve or fifteen years ago were 25,000 tons of bacon and pork, 7,000 or 8,000 tons of beef, 20,000 to 30,000 tons of butter, and as much cheese; since then the quantities have been more than doubled, and in the eleven months of 1871, of which alone the statistics have yet been published, nearly 60,000 tons of pork and bacon, 12,000 tons of beef, 60,000 tons of butter, and nearly as much cheese, have been imported from abroad. Our growing imports of wheat have been inferred from our remarks on the bread consumed. They now amount to from 30,000,000 to 38,000,000 cwt. of wheat, and 3,000,000 to 5,000,000 cwt. of wheat flour, not to speak of nearly as much in point of weight of barley, oats, and maize, adding the three together; and our whole home growth cannot be put at more than 55,000,000 cwt. of wheat, 42,000,000 cwt. of barley, 60,000,000 cwt. of oats. We used fifteen years ago to import from 70 to 80 lbs. of wheat or wheat flour for every individual of our population: we now import from 100 lbs. in good years, to 150 lbs. apiece in bad ones; and in the last eleven months we have imported 36,469,535 cwt. of wheat, and 3,645,084 cwt. of flour—the highest import previously recorded for a whole twelve months having been, in 1869, 37,695,828 cwt. of wheat and 5,401,535 cwt. of flour. This enormous import—this great dependence on other countries for our food supply—doesn't look like a prosperous or growing agriculture. It is a paltry comfort, after all, that is gathered from the proof that we are better farmers than our neighbours. Taken, not comparatively, but absolutely, and considering both what our land produces on the whole and what it actually produces in particular examples, its outrageous failure to produce sufficient for the wants of the people living on it is nothing less than disgraceful."

STATEMENT OF ESTIMATED PRODUCTION OF FOOD IN GREAT BRITAIN, AND ESTIMATED VALUE OF SUCH PRODUCTION.

	Acreage.	Produce.	Estimated Gross Value of Produce.
		Quarters.	£
Wheat	3,500,000	10,000,000	25,000,000
Barley	2,371,000	12,000,000	20,000,000
Oats	2,763,000	18,000,000	22,000,000
		Bushels.	
Potatoes	587,000	100,000,000	12,000,000
Carrots, turnips, mangold, and kohl-rabi	2,676,000	Tons. 27,000,000	30,000,000
Grass (in rotation)	4,504,000	...	28,000,000
Meadows and permanent pasture	12,074,000	...	70,000,000

Now every one will admit with Lord Derby, that in order to secure that great increase of production which all desire, there must be an immense increase in the amount of capital employed in agriculture; and the first question is, how far our present laws encourage or discourage the application of capital.

A not less important question arises out of this—viz., what are the social effects of our existing laws, both on the numbers and on the condition of our population?

It will be my object to show that our present land laws are opposed to true "freedom of trade," and I shall take the following points in illustration of my meaning:—

1. The system of settlement by which land can be locked up for life or lives in being, and twenty-one years after the death of the last survivor.

2. The holding of land in mortmain by corporations and others.

3. The difficulty and expense of the transfer of land as compared with the easy transfer of personal estate.*

* I have not entered minutely into the question of Primogeniture, as it is to be discussed by another contributor to this volume; and I have omitted the question of enclosures, as one which would extend my essay to an undue length. I have also avoided the "game" controversy, as requiring separate treatment.

Before entering on these points in detail it will be convenient to refer more particularly to the proposals, already mentioned, of Mr. Mill and others.

It may be quite true that our present system of tenure is bad, because it creates a kind of "double ownership," and thus discourages the application of capital to the development of the soil; but it does not thence follow that an arrangement by which the existing owners of the land shall be forced to sell their holdings to the Government, which is then to find tenants of smaller holdings, would encourage the application of capital. To me it seems that any such plan would distinctly discourage the purchase and the improvement of land by men of property. Probably this is the object of its promoters, who seem to have the idea that a small owner is of necessity better than a large owner. Doubtless he may be so, as we often see the large estate decaying and desolate, and the smaller thriving and improving; but we can also point to large estates which are models of good husbandry, and to small properties which are pictures of misery and neglect. The facts set forth in the reports of Her Majesty's representatives, as to the tenure of land in foreign countries, show conclusively that a system of small holdings can be made most productive under favourable circumstances; but, on the other hand, it must be obvious to every Englishman that the system of large holdings is not of itself an obstacle to extensive and rapid improvement. The great and acknowledged defects of our system are, by some writers, attributed to one cause, and they appear to forget that in the process of getting rid of this by force, they may, possibly, introduce other complexities far more serious even than those they are so anxious to remove. Take, for instance, the plan proposed by one who professes to represent the views of the working classes. He would tax the land four shillings in the pound, after the model of the old Land Tax, and as a sort of revenge for its practical loss to the nation, and out of the fund so received, he would buy up the land offering in the market, "the Government or nation alone having

the right to buy, and that at a price fixed or based upon the estimates of value already taken." *

The object of this plan is, of course, to abolish all private property in land, except under Government; but if any one thinks that by so doing he would add to the amount of capital invested in the improvement of the soil, I am at a loss to understand his reasoning. To say nothing of the gross unfairness of re-imposing a tax practically obsolete, unless it can be shown that land is exempted unduly from taxation (a proposition difficult to prove in the present condition of our local taxation), is it not obvious that all existing owners would at once cease to lay out money in an investment which could really not be relied on to bring a certain return, all competitive sales being forbidden, and the seller being at the mercy of Government valuers? The "magic of property" would have a new sense. A man would feel land to be the most unsafe, instead of the safest, of investments; for who would depend for his return on a Government valuation instead of the natural competition of the auction room? The very name of such an interference would drive capital to other investments where the law shows less jealousy of the prosperity of the owner. Stocks would rise and land would fall. Mr. Mill, as might be expected, is much more cautious. Many years ago he proposed—and he adheres to his proposal—that all increased value of land not arising directly from the capital or industry of the owner, called the "unearned increment," should belong to the State, and not to the owner. With all deference to so high an authority, this proposal seems to me to be open to objections very similar to those just stated with reference to the far more violent suggestion I have mentioned. Once let it be clearly understood that the investment of money in land will not give to the purchaser the full apparent benefit of his purchase, but that, in order to keep it, he must go through a process of valuation, and that on him will lie the burden of proving that any increased value

* See Mr. Odger in *Contemporary Review*, August, 1871.

there may be is his, and not the property of the State, an intending investor will hesitate. He will feel that there is an undefined and indefinable element of uncertainty in the whole business, which will most discourage the very man who is most eager to make important improvements. Moreover, all owners who have purchased or inherited land before the passing of such a law will feel that they cannot be certain of reaping the full reward of any outlay they may be disposed to make on improvements. Suppose a railway to come near the land of such an owner soon after the making of his outlay. Any increased value may be partly owing to one cause and partly to the other, and it may be a very difficult problem accurately to define how much is to be attributed to each cause. I can conceive nothing more harassing to an owner than a demand by the State to participate in the fruits of his purchase, for though, nominally, the law may give him the results of his own industry, and only claim what is said not so to result, a man so situated is sure to consider himself robbed, and his position will be a fruitful cause of discouragement to others. Nothing, of course, is so dreaded by prudent investors as uncertainty, and nothing could so surely cause a feeling of uncertainty, as denuding a man of some of those results which—to all appearance, at any rate—are the natural consequence of his own judgment as an investor, or of his capital and skill as an improver.

What we especially need is the application of more capital to the soil, and therefore we ought to discourage no capitalist, large or small, from this sort of investment. Mr. Mill will probably say that he desires to have small owners, but from these alone he will not procure the capital which is needed. I can see no objection to small owners, except where they are the result of laws intended to exclude large capitalists from the purchase of land. There may be districts and soils where such ownerships arise naturally, and the principles I support would leave them untouched. But we need the large owner as well as the small in order to procure the requisite amount of capital. Very few writers or speakers appear

to appreciate the backward state of the cultivation of many parts of the United Kingdom, and the amount of capital which is required fully and rapidly to develop its soil.

The opinions I have quoted above, and the figures I have adduced, will enable any reader to appreciate the magnitude of the task before us. To accomplish these great results we need more drainage, more manures, more farm buildings, more cottages, and more costly machinery, and we need all these things quickly. But the man who would make such outlays, even on a small scale, must be a man who is able to wait for his return in increased production. In other words, he must be a man of capital. We want a host of such men; but if you repel such investors by the peculiar character of your laws, you will check instead of hastening progress, and the marked improvements of the past twenty years may be followed by a period of stagnation. The people do not ask aid from the law in this great work; they only ask to be freed from legal obstacles and hindrances. It is because I believe that the proposal of Mr. Mill would really create a new obstacle, that I, with all deference, express my emphatic dissent from it.

But this is not my only reason for disapproving it. I am at a loss to understand why, so long as not merely every kind of property but every sort of occupation participates in the progress of the nation, land alone should be thus treated. The doctor and the barrister obtain larger incomes in return for an equivalent amount of labour, in a nation which is making progress; and the laws which enable them securely to practise their professions, protect the owners of property in the enjoyment of their rights. No one would think of asking professional men to give up part of their incomes as not being derived directly from their labour, but as increased by the progress of the whole people. The case is even clearer as to other kinds of property; for with some of these the "unearned increment" is prodigious.

It is said that land is "limited" in quantity, and must "tend steadily upward" in value, while other

kinds of property fluctuate, not being in the same sense limited. But certainly there are other sorts of property which in the eye of the law are not land, though connected with it, and yet others, in no sense connected with it, which are "limited," and have a great "unearned increment" arising from the growth of the nation in wealth and population. Railway shares are "personal estate." Their owners, speaking generally, do nothing to add to their value. They are "limited," as a new railway cannot be made without an Act of Parliament. But I do not understand that Mr. Mill would tax them differently from other personal property. Take another case not "partaking of the soil" in the smallest degree. I refer to works of art. They are "limited," and, when well bought, their "unearned increment" is not unimportant. I know a case where a man bought a drawing for £40, and sold it a few years afterwards for £1,270. He used his taste in the purchase, but he did no more than is done by an owner of land who makes a wise choice. Nothing is more common than for men to purchase land which is of small value, and yields hardly any return, with the very object of obtaining the benefit of some change which they have had the good sense to foresee, as the growth of a town, the opening up of a mine, the making of a railway, or some other like development of industry arising out of the natural progress of the nation. Men constantly buy land at a great sacrifice of immediate income that they may possess this peculiar kind of property, whether for reasons of gain or pleasure. Such men do not wish to be disturbed in their possession. Mr. Mill would buy up all dissatisfied owners at the present value of their properties, just as he would buy out an owner of land required for a railway. He would disregard all "sentiment" as well as all speculation on the future. "If you do not like your land on the new conditions, some one else will, and so you must leave." This is to be the answer to an objecting owner. I am not clear that purchasers of land on these conditions would be readily found, except at a ruinous sacrifice in

price. A few examples of the extraction of large sums from owners for "unearned increment" would frighten intending purchasers, and make things very unpleasant for intending vendors. This is a question affecting all classes—the men of small means as well as the rich—the man who has bought his own cottage by hard-earned savings, and the man who owns half a county. The passage of such a law would, as I believe, strike a blow at our national credit from which we should not readily recover. It may be said that things would "settle down," even though the price of land should be much reduced, but it is not always easy to make things "settle down" when once you have entered on a career of injustice.*

But while I am unable to accept the proposal of Mr. Mill, as really interfering with freedom of trade, I am as sensible as he is of the defects of our existing law.

As the law now stands, we have nominal but not real freedom. In the case of every owner in fee-simple, the law gives him almost unlimited powers so long as he lives, and at his death enables him to leave the land to whom he will. But it does more—it not only enables him to do this, but it gives him the power, by deed or will, to limit the land to any number of persons after him for life, and to the unborn son of the last survivor, so that such unborn son will become the first person who shall have full power over the land after the death of the maker of the deed or will. Allowing for the minority of the son of the last survivor, the law in fact permits a man to tie up the land for a life or lives in being, and twenty-one years after the death of the last life. As soon as

* I do not mean by what I have said above to imply that the rate of taxation of personal and real estate should be identical in all cases. Landed property is certainly far more stable in value, and may therefore be fairly charged more heavily, but this is a proposition totally different from that of Mr. Mill. His proposal seems to be based on the supposition that in some way landed property differs in kind and origin from other property. This I cannot see, and I think such an idea has been well disposed of by Bastiat in his Essay on "Propriété Foncière," in the 6th vol. of his works.

the son comes of age it is usual to re-settle the land, so as to make him tenant for life only, with remainder to his son, and so on, so that the owner for the time being shall always be a tenant for life, and the land shall never pass out of the family so long as any vestige of it remains. Now a tenant for life, or "limited owner," as he is called, can do very little. He cannot borrow money on the land except under special stipulations of Acts of Parliament, to which I shall refer hereafter, or by means of an insurance of his life, which ill health may prevent, and which is always a very costly and wasteful proceeding. He cannot lay out money on permanent improvements, such as the erection of cottages or farm buildings, draining, and planting, without giving the whole benefit of such outlay to the one child of his family who is already the best provided, or, possibly, to a connection for whom he has no great regard, and this, unless his revenue be very great, or unless he have other revenues besides his land, he will probably be unwilling to do. He cannot sell any portion of the estate without the consent of the trustees of the settlement, and when it is sold he will have no command over the money, which will have to be re-invested in other land, to be settled on the same trusts as those which affected the land sold. However embarrassed, therefore, he may be, he has no alternative but to hold on to the land he has inherited. At the present moment, for instance, a bankrupt duke is the nominal owner of one of the largest and fairest properties in England. A tenant for life cannot even arrange his family affairs to suit the needs of his children, and his natural authority over them is replaced by the provisions of a document which, in very many cases, was drawn up before a child was born. In short, he is only nominally an owner—he is a sort of manager of the estate for the family. He has the dignity of ownership, but not its authority nor its powers, save so far as such powers arise from social consideration. Too often far more is expected of him than he can afford, and while in name the possessor of a great property, he may be

less free, and more a prey to pecuniary cares than his own tenants.*

Now what are the economic and social results of this peculiar ownership?

If limited owners are, as a class, short of ready money, and therefore unable to lay out capital in improvements on the same scale, and with the same courage as would be natural in the case of owners in fee-simple, one would expect to see the estates of such owners more often imperfectly drained and defective in the supply of farm buildings and cottages. And if large areas are in consequence imperfectly cultivated, it follows that the production of the whole country must be seriously diminished and the cost of food enhanced.

Further, it is obvious that if less capital be expended under our system than would be expended under a more natural tenure, the fund coming to the labourer in wages must be curtailed and the rate of wages kept down, so

* It is interesting in this connection to refer for a moment to the recent legislation of Prussia, as so well described by Mr. Morier in the "Cobden Club Essays" of last year, and by Mr. Harris-Gastrell, in the Reports on "Land Tenure," from H.M. Ministers abroad. This is the language of the edict:—

"The proprietor shall henceforth be at liberty to increase his estate, or diminish it, by buying or selling, as may seem good to him. . . . .

"This unlimited right of disposal has great and manifold advantages. It affords the safest and best means for preserving the proprietor from debt, and for keeping alive in him a lasting and lively interest in the improvement of his estate, and it raises the general standard of cultivation.

"The first of these results is obtained by the power it gives to the actual proprietor, or to an heir upon entering on his estate, to sell such portions as will enable him to provide for his heirs or co-heirs, as the case may be, or for any other extraordinary emergency, leaving what remains of the property unincumbered with mortgages or settlements.

"The interest in the estate is kept alive by the freedom left to parents to divide their estate amongst their children as they think fit, knowing that the benefit of every improvement will be reaped by them.

"Lastly, the higher standard of cultivation will be secured by land—which, in the hands of a proprietor without means, would necessarily deteriorate—getting into the hands of a proprietor with means, and therefore able to make the best of it. Without this power of selling portions of his property, the proprietor is apt to sink deeper and deeper into debt, and in proportion as he does so, the soil is deprived of its strength. By selling, on the other hand, he becomes free of debt and free of care, and obtains the means of properly cultivating what remains to him."—*Cobden Club Essays*, 1870, p. 313.

Suppose a man to own an estate worth £100,000, and to be compelled to borrow £75,000, at 4 per cent., his whole income would be absorbed, for such property will not produce more than 3 per cent. to the owner.

that the labourer is doubly injured, by having less to spend, and by having to pay more for the necessaries of life. And it may fairly be added, that any law which keeps land out of the market, tends to keep up its price at an extreme point, as well as to prevent its natural division into smaller holdings than those to which we are accustomed. In this way land becomes an investment for rich men, and is looked upon as a ruinous speculation for people of moderate means: whereas there is no reason why it should not be bought in parcels of moderate size, as well as in great masses, if its price were natural, and not, as it so often is, fictitious—representing the extravagance of the wealthy, and not the prudent investment of a man of business.

But when we proceed to consider how far the facts answer to our expectations, we are met by a serious difficulty. All statements as to the general condition of cultivation in the country are founded on impressions, and not on reliable statistics. We do not even know the number of our proprietors, nor do we know how much of our uncultivated land would pay for the labour and expense of reclamation. Much less, of course, do we know certainly how much land is well cultivated, and how much neglected. We only know that men who ought to understand the subject assert that not a third of the whole area under cultivation is really well farmed, and that two, at any rate, of the first of our proprietors consider that our 'production ought to be doubled. Making ample allowance for the extensive improvements made within the past twenty years, it is surely, even now, no exaggeration to say that the greater part of the country is imperfectly cultivated, because drainage is defective, farm buildings decaying and utterly unsuited to the needs of modern agriculture, and cottages insufficient in number and grossly deficient in everything which tends to the comfort and decency of the labourer and his family. Now if it be true that cases of poverty and neglect in the case of fee-simple owners are in general uncommon, one can only account for such a condition of agriculture by the prevalence of a different

tenure. There are, of course, cases where a fee-simple owner is poor, and yet clings to his acres; but these are exceptional. Such a man will generally sell, and get rid of his difficulty. But the limited owner cannot do this, and it stands to reason that it is amongst them that we must look for the poor owners, of whose prevalence Mr. Caird thus spoke twenty years ago:—

"In every county where we found an estate more than usually neglected, the reason assigned was the inability of the proprietor to make improvements on account of his incumbrances. We have not data by which to estimate with accuracy the proportion of land in each county in this position, but our information satisfies us that it is much greater than is generally supposed. Even when estates are not hopelessly embarrassed, landlords are often pinched by debts, which they could clear off if they were enabled to sell a portion, or if that portion could be sold without the difficulties and expense which must now be submitted to."*

It may well be doubted whether the number of poor owners is materially decreased since 1851, if it be true that 70 per cent.† of the whole cultivated area of the country is still in the hands of limited owners holding under settlements.

This argument receives a striking illustration in the history of those instances where land, once hampered by strict settlement, is freed from this incubus, and held by a man who is encouraged to make improvements by the sense that he will himself reap the fruits of his labour and risk. Take the case to which I referred last session in the House. A property in Sussex was purchased in 1810 for £50,000, or thereabouts, and placed in strict settlement. So it remained until 1850, when it had become so reduced in condition, through neglect, that it was sold to the present owner for £25,000. He, being a man of capital and enterprise, has so improved it that recently he was offered £75,000 for the same estate.

* "English Agriculture in 1850—1851," p. 495.

† This was the estimate made many years ago before Mr. Pusey's committee. I have no means of checking it. So far as I can learn, it would seem to be rather under than over the mark. The case is not the same as to house-property, which is much more commonly held by fee-simple owners.

Another remarkable instance was mentioned by Mr. Bright in 1868. In a speech delivered in the House of Commons on the 13th of March, 1868, he spoke as follows:—

"The other day I was driving in the county of Somerset, and I was passing two villages called, I think, Rodney Stoke and Bleadon, and, seeing a great appearance of life and activity, I asked the driver what was to do there. He said, 'This is where the great sale took place.' I said, 'What sale?' 'The sale of the Duke's property.' 'What duke?' I asked. 'Why, the Duke of Buckingham. It was about fifteen years ago. All the property was sold hereabouts; the people bought the farms, and you never saw such a stir as is going on in this neighbourhood. All these new houses have been built since then;' and he pointed them out, and showed me that the new owners were cultivating very considerable tracts of land, which in former times had never been cultivated at all. The appearance of the villages, in short, was such as to astonish every person who passed through them, being so wholly different to that which you would see in any other part of the country. Now, what had happened here? The great estate of an embarrassed duke had been divided and sold. He had not been robbed. The land had been paid for, the tenants were in possession, the old miserable hovels had been pulled down, new houses had been built, and new life had been given to the whole district."

I am not sure whether in the case of Mr. Prout, of Sawbridgeworth, mentioned in the *Times* in November, 1870, the land had been entailed before he bought it; but his case is an astonishing proof of what may be done in the way of improvement. He purchased 450 acres of land a few years since for £15,000, and last year sold the crops as they stood on the land for more than £5,000, which gave him a very handsome profit after paying rent and all interest on outlay.*

It would be easy to multiply such instances. All that is required is that they should become far more

* The figures are as follows:—(1870)

Crops sold for		£5,330
Labour cost	930	
Seed	250	
Manures	1,150	
Rent, &c.	1,120	
Total spent		3,450
Profit		£1,880

numerous, which they would be were the land made really free.

We have no returns showing what is the condition of the settled, as compared with the unsettled, estates; but, speaking of the country as a whole, I suppose few will deny that the condition of the land held by fee-simple owners is incomparably superior to that of estates held by tenants for life under settlements, except in those instances where these have borrowed money at a heavy personal sacrifice. In almost every considerable district are to be found cases of most lamentable neglect, and it is not, I think, a rash assertion to say that very rarely are the owners of such properties free from the trammels of the law. They are, from various causes, embarrassed, and the kindness of their ancestors prevents them from getting rid of their burdens by disposing of their land to those who could restore it to its proper condition. It is not necessary for my argument to assert that no entailed estates are well managed and improved by the expenditure of ample capital. Some of the largest estates in England—as those of the Dukes of Northumberland and Bedford, the Marquis of Westminster and the Earl of Leicester—though in great part settled on tenants for life, are thoroughly well handled. Such noblemen have abundant funds wherewith to make every outlay which can be required on their estates, and an ample margin from which to provide for younger children, and perform every other duty demanded by their high station. Many estates have been improved under the various Improvement Acts, and this process is now going on with increased rapidity. But the question recurs—are not such cases exceptional? What is the prevailing condition of things?

We have no statistics as to the state of drainage; we know that much has been done, and that much more remains to be done. Neither have we distinct evidence as to the present condition of farm buildings. Twenty years ago Mr. Caird spoke of them as follows:—

"If the farmers of England are to be exposed to universal competition, the landlords must give them a fair chance. If they refuse

to part with the control of their property for the endurance of a lease, they must themselves make such permanent improvements as a tenant at will is not justified in undertaking. The farmers of that part of the Continent nearest our shores have far better accommodafor their stock than the majority of English tenants. The substantial and capacious farmeries of Belgium, Holland, the north of France, and the Rhenish provinces contrast most favourably with the farm-buildings common in most English counties.*

"The inconvenient, ill-ranged hovels, the rickety wood-and-thatch barns and sheds, devoid of every known improvement for economising labour, food and manure, which are to be met with in every county of England, and from which anything else is exceptional in the southern counties, are a reproach to the landlords in the eyes of all skilful agriculturists who see them. One can hardly believe that such a state of matters is permitted to exist in an old and wealthy country. . . . With accommodation adapted to the requirements of a past century, the farmer is urged to do his best to meet the necessities of the present." †

Much has been done since 1851, but no one will, I think, dispute the accuracy of Lord Leicester's statement that farm buildings are still "bad" in by far the greatest part of the country.‡

It is not, however, needful to dwell long on these points, as it so happens that we have recent and excellent evidence as to the condition of the cottages. It is quite true that there are many cases where the estate is well drained and amply supplied with good buildings, and yet the cottages are insufficient and bad. But, generally, the same care which provides for the former requirements provides also that there shall be abundance of labour conveniently placed, and where this vital matter is neglected, other things are neglected.

It is also true that other causes besides the poverty of owners have led to the depreciation of cottages. There is, for instance, no doubt that the old law of "settlement" encouraged many owners and occupiers to get rid of cottages. But, allowing for these cases, a perusal of the Report of the Commissioners appointed to inquire into the condition of women and young children employed in agriculture, will, I think, convince

* "English Agriculture in 1850—1851," p. 491. † *Ibid.*, p. 490.
‡ See *Gardener's Chronicle*, 21st October, 1871.

any impartial reader that the principal and prevailing cause of that most lamentable deficiency of good cottages which they describe in every part of the kingdom, is the poverty of the proprietors of the soil.

Building cottages is notoriously a bad investment for a man who looks for a direct return, and a man who looks for an indirect return in the improved condition of his property must be a man of capital. The tenant farmer cannot be expected to build them, and the tenant for life, unless he be very wealthy, cannot thus invest his income. So the cottages are not built, and Mr. Portman, one of the Assistant Commissioners (Second Report, Appendix, p. 45), speaks as follows:—

"Some may say that this question of the dwellings of the poor in agricultural districts is a passing question of the hour, and that it is not really so great an evil as is represented. I would answer, Go into the country and see for yourself. Use your common sense, and call to mind the effect of absenteeism on Ireland; and then say whether or not in those portions of England where poverty and misery arising from the same cause meet you at every step, there is not urgent reason for dealing with the evils now existing by some legislative enactment, which shall put an end to a state of apathy and indifference in many holders of encumbered estates, and open the doors for the spending of capital on the land by those who *are* able, in the place of those who are now unable to do so."

The view thus indicated is fully sanctioned by Mr. Culley, another Assistant Commissioner, and an agriculturist of great experience.

"What then," says he, "has led to the state of labourers' dwellings being such as to justify men in speaking of it as a national disgrace? And why are so many landowners powerless to deal with it? If I were to answer these questions, judging from the history of the estates I have visited, I would answer at once, the encouragement given by law to the creation of limited interests in land, and the power of entailing burdened estates. What can the poor life tenant, especially if his estate is burdened, do towards providing good cottages for his labourers? Nine times out of ten he strives to do his duty, and suffers fully as much as the ill-housed labourers on his estate." (P. 95.)

I cannot refrain from adding the testimony of the Bishop of Manchester, as to the counties he visited, Norfolk, Essex, Sussex, and Gloucestershire:—

"Out of the 300 parishes which I visited, I can only remember two—Dornington, in Sussex, and Down Amney, in Gloucestershire, where the cottage provision appeared to be both admirable in quality and sufficient in quantity. . . . In one return they are described as 'miserable,' in a second as 'deplorable,' in a third as 'detestable,' in a fourth as a 'disgrace to a Christian community.' . . . The majority of the cottages that exist in rural parishes are deficient in almost every requisite that should constitute a home for a Christian family in a civilised community. . . . At Spixforth there are only three cottages to 1,200 acres; there might well be twenty-five. . . . At Buckenham Tofts there are only two resident labourers on 650 acres; at Didlington no more in 1,850 acres. At Sedgeford the Ecclesiastical Commissioners have an estate of 2,000 acres without a single cottage, and in this parish we hear of ten and eleven persons sleeping in a single bedroom. At Titchwell, Magdalene College, Oxford, the chief landowner and lord of the manor has not a single cottage. Instances of this kind could be accumulated *ad infinitum*. . . . Modesty must be an unknown virtue, decency an unimaginable thing, where, in one small chamber, with the beds lying as thickly as they can be packed, father, mother, young men, lads, grown and growing up girls, are herded promiscuously; where every operation of the toilet and of nature—dressings, undressings, births, deaths—is performed by each within the sight or hearing of all; where children of both sexes, to as high an age as twelve or fourteen, or even more, occupy the same bed; where the whole atmosphere is sensual, and human nature is degraded into something below the level of the swine. It is a hideous picture; and the picture is drawn from life."—*Appendix to First Report, p.* 34.

Again (p. 41), the Bishop says:—

"Vain, say the clergy, are churches and schools, till the people are provided with better homes. The statement I believe to be simple truth; and I think the country has a right, in the interests of a class whose material and social condition is anything but one on which the mind can rest with satisfaction, to call upon those who own the soil to see to it that their estates are adequately provided with decent residences for those by whom they are tilled."

Mr. Culley says again (First Report, Appendix, p. 133):—

"A good cottage, as far as any ordinary mode of construction is concerned, can only be considered self-supporting in the same sense that good stables and good cattle-sheds are self-supporting, and the only hope that the labourer can have of being properly housed is that the landowners should accept the position that good cottages conveniently placed pay in the same sense that good farm offices so placed pay. That, however, many landowners are not in a position to act upon this belief, even if they accept it, is beyond a doubt.

The only reason that they are in this humiliating position of not being able to do justice to the property they own, is that they are crippled and hindered by the tenure on which they hold the land."

The evidence as to Scotland is also very important. Take Mr. Norman's report (Fourth Report, p. 39):—

"On the whole I have met with no system connected with the agricultural population, either in England, Scotland, or Wales, which I think so seriously detrimental to the comforts and morality of the people as the system which I have been describing of the farm servants living away from their families. I think it is impossible to use too strong language in its condemnation. . . . I have already pointed out that one of the chief causes for the want of cottage accommodation is the poverty of the landlords. It was, of course, no part of my duty to inquire into the financial condition of the landlords; but rumour, to which I could not shut my ears, pointed to some notorious instances of their straitened circumstances. It is in a great measure caused by the law of entail in Scotland, which compels landlords to continue the nominal owners of entailed estates after the substance has departed from them."

The state of Wales in this particular is even worse than that of Scotland. In their Third Report the Commissioners say (p. 12):—

"But schools will be of little avail to effect the ultimate object of education—not only a higher intelligence, but purer morals—as long as the great blot remains upon the state of civilisation in England and Wales which has been long noticed and often commented upon— . . . the state of the cottage accommodation. . . . The proportion of those localities where the cottages are very defective in accommodation and insufficient in number . . . is evidently very great throughout Wales."

Again (p. 14) they quote with approval Mr. Culley's remark (Appendix, p. 49):—

"If it be the landowner's duty to see that there is a good school within a reasonable distance of the cottages, . . . it is far more his duty to see that these cottages are not such as to make it impossible to teach in that school anything better than reading, writing, and ciphering. As nearly all the cottages in the counties of Pembroke and Carmarthen belong to the landowners, it is more evidently their duty to make every endeavour in their power to give their labourers dwellings in which the ordinary decencies of life may be observed. I say, every endeavour in their power, as in many districts it is too evident that the great cottage difficulty is the poverty of the landowning class."

It would be tedious to give more extracts, all pointing the same way, namely, that the defect in the dwellings of the poor is far too general, and that, in the vast majority of cases, it is traceable to the practical poverty of the owner, who is either actually poor, or so fettered as to be unable or unwilling to expend his money in the performance of a most obvious duty. The difficulty has been caused by the law. Accordingly the Legislature, by a series of very peculiar enactments, has endeavoured to mitigate the evil consequences of its own proceedings. By a variety of Acts tenants for life are empowered to borrow money for purposes of improvements, and to charge the inheritance, as well as their own limited estates, with the payment of the annual instalments of principal and interest. For instance, a tenant for life can borrow money to enable him to build cottages, and he pays about £7 4s. per cent. per annum for the accommodation.*

But on what principle can the money of the State be lent for such a purpose? No other business, so far as I am aware, is assisted by capital provided by the State. If it be the business of the State to assist men who need capital, there will be plenty of applicants for such aid. There is no investment so much sought after as land, none where men are more willing to take a small return in consideration of the peculiar pleasure of holding this particular kind of property. It would seem therefore manifest that the aid of the State is really not required. All that is required is to free the land and to allow it to be sold by those who want to sell, and capital will come in abundance, and the great national object of the improvement of cottages and of cultivation will be effected, not slowly and uncertainly, but rapidly and naturally. Nothing can better show how imperfectly

* See Mr. Culley (Second Report, Appendix, p. 97):—"A landowner who borrows under the present system reduces his income at the rate of £7 4s. 7d. for every £100 expended in cottage building, and under the present rules of the Inclosure Commissioners (which make cottages cost £140 each), his income suffers to the extent of £10 2s. 5d., less the rent of the cottage, say 1s. 6d. a week, or £3 18s. per annum—*i.e.*, he is an absolute loser, as far as his own income is concerned, for twenty-five years, of £6 4s. 5d. per annum for every cottage he builds with money so borrowed."

the present system works than the fact that only 127 cottages were built under the Acts referred to on an average in each year between 1863 and 1867 (Second Report, § 215). How many were required it would indeed be hard to say, but something far more effectual is needed, even if the remedy were in principle a sound one. There is at hand a remedy to which no one can object in the vast accumulations made every year in this empire, millions upon millions which only wait for a more natural system of law to pour in fertilising streams over the broad acres of our country.*

* See the following letter from one of H.M. Commissioners:—

"AGRICULTURAL LOANS.

"TO THE EDITOR OF THE *Times*.—Sir,— . . . Tenants for life and other limited interests are, indeed, as Mr. Ryder says, empowered under various Acts of Parliament to borrow money for the building and improvement of cottages, and the Inclosure Commissioners are always ready to sanction it; but the question is on what terms and at what cost to the holder of those limited interests.

"The fact is that the terms are considered by the holders of those interests as so onerous that a singularly small proportion of the agricultural cottages which have been built since those Acts came into operation have been built by the aid of such loans. . . . .

"By a return with which we were favoured by the Inclosure Commissioners (Appendix to our Fourth Report, p. 141), it appears that out of £1,769,084 14s. 4d. sanctioned by them as loans for agricultural improvement in Great Britain from 1866 to 1870 inclusive, only £183,735 15s. was lent for labourers' cottages; and that out of £559,492 2s. advanced to Scotland, only £19,484 was lent for cottages.

"According to previous returns given in our First and Second Reports, 'the average cost of cottages built under loans sanctioned by the Inclosure Commissioners' was nearly £144 each.

"The four Reports of the Commission above mentioned have again brought into prominence the question of a proper supply of agricultural cottages. The mode of quickening that supply by loans under the sanction of the Inclosure Commissioners is not unimportant; but it will sink into insignificance as soon as the ground is clear for the discussion in Parliament of the great question as to whether it is for the best interests of agriculture and of the community generally that there should be any limited estates in land at all.—Yours very obediently,

"Oct. 4. "H. S. TREMENHEERE."

And the following:—

"TO THE EDITOR OF THE *Times*.—Sir,—I beg to offer a few remarks, the result of experience, on the subject of loans for building agricultural labourers' cottages and other improvements on entailed estates.

"I do not take blame to myself, as your correspondent, 'A Scotch Landlord,' says he and most other Scotch landowners do, for having thought too little on the subject of cottage accommodation. On the contrary, I have thought much, but find I have it in my power only to do little, being fettered by my position as a tenant for life, the possessor of an entailed estate. In

I am well aware that very high authorities consider that the Acts in question are working well, and that large sums are being continually advanced by the "Land Improvement Companies" for the purpose of improving estates. But what does this system amount to? It is, in fact, an arrangement for making the owner of land pay at least 50 per cent. more for the accommodation he requires than he would have to pay were he an owner in fee-simple. It is better that he should be able to borrow at 7 per cent. than not at all. But how far better would it be if he could borrow at 4 or 4½ per cent., without paying a heavy commission to a land company, and without being compelled to ask the consent of the Inclosure Commissioners. Many a tenant for life, like the Scotch landlord whose letter I have given above, had rather insure his life and be free from all these restrictions. It is, no doubt, a fact that, spite of all these hindrances, many estates have been greatly improved under these Acts. But surely the process would go on far more rapidly if all owners could borrow at discretion, and if those who cannot afford to borrow could sell their land and obtain another investment more suitable to their circumstances. By giving such powers to tenants for life, the law has invaded the territory of strict entails. It has enabled the limited owner to deal, *pro tanto*, with the inheritance,

this position there are two ways in which loans for improvements may be obtained, both of which I have tried.

"The first is by myself making the necessary improvements, for which I had to borrow the money and insure my life until they were completed, and until I could get authority from the Court of Session to charge a portion of the amount on the estate. The Court having only power to give a decree for two-thirds of the proved expenditure, I had, therefore, to forfeit one-third of the capital sum expended, to insure my life while the works were in progress, and thereafter to pay interest on the two-thirds.

"The second way in which I borrowed money for estate improvements was that pointed out by another correspondent of the *Times*, who manages with promptitude and courtesy the correspondence of the 'Lands Improvement Company.' But I need not enter into the many objections to loans which have to be expended under the direction of officials who are necessarily ignorant of many special details of each particular case. It will suffice to say that I have found it better to resort to the first way, notwithstanding the objections to it which I have enumerated.—I am, Sir, your most obedient servant,

"October 14. "ANOTHER SCOTCH LANDLORD."

and all I ask is, that the law should go further, and, by enabling him to deal with the land for all purposes, complete his "freedom."

What has been said goes far, I think, to prove that our agricultural system does not work well. Scarce as are proved facts, the defect in our production of food, and in the conditions of the dwellings of the people, may be said to be admitted, whatever opinions may be entertained as to the progress made in drainage and in the erection of farm buildings. But there are other ways in which the poverty of the owners of the land affects the condition of the labouring classes. While the rate of wages in other occupations has advanced in our times with a rapidity which is sometimes alarming to the economist, the rate of agricultural earnings remains, in many parts of the kingdom, proverbially low. It is, of course, natural that the average rate of wages should be highest in the northern counties, where there is so great a demand for labour in other directions; but, allowing for this fact, a perusal of the reports above mentioned will satisfy any reader that, with rare exceptions, the rate of wages and the condition of the labourer improve with the progress of agriculture. Whether the cause be the proximity of better markets, or the intelligence and means of the owner, the labourer is sure, sooner or later, to participate in the benefits of an improved style of farming. His share of the benefit may often be far too small; but as the great item in all such expenditure must always be labour, it stands to reason that in a slowly increasing or stationary population, a rapid increase of demand for their labour must improve their condition.

Any one who contrasts the agricultural position of Northumberland or Lincolnshire, or Yorkshire, with that of Sussex or Dorsetshire, or Cambridgeshire, will soon see that it is no imagination which connects the well-doing of the labourer with the enterprise and means of the owner of the soil and his tenants. It would be no exaggeration to say that the labourer in the best cultivated parts of the kingdom earns from 30 to 50 per cent. more than his fellow-labourer in those

districts where there is less enterprise and less expenditure. Again, if we look a little more closely into the comparative progress of this class of our people, and ask ourselves whether, making all due allowance for the peculiar character of their employment, their advance has been at all proportionate to that of others, the answer will not be satisfactory. In Mr. Caird's work on "English Agriculture in 1850—1851," p. 475, will be found the following curious statement as to the relative condition of agricultural labourers in 1770 and 1850:—

In twenty-six counties the average rent of arable land, in 1770, appears from Young's returns to have been	s. d. 13 4 an acre.
For the same counties our returns in 1850-51 give an average of	26 10 „
Increase of rent in eighty years	13 6 or 100 per cent.
	Bushels.
In 1770 the average produce of wheat was	23 an acre.
In 1850-51 in the same counties it was	26½ „
Increased produce of wheat per acre	3½ or 15 per cent.
	s. d.
In 1770 the labourer's wages averaged	7 3 a week.
In 1850-51 in the same counties they averaged	9 7* „
Increase in wages	2 4 or 34 per cent.
	Bread. Butter. Meat.
In 1770 the price of provisions was	1½d. 0s. 6d. 3½d. per lb.
In 1850-51 it was	1¼d. 1s. 0d. 5d. „
	s. d.
In 1770 the price of wool was	0 5½d. per lb.
In 1850-51 it was	1 0 „
In 1770 the rent of labourers' cottages in sixteen counties averaged	36 0 a year.
In 1850-51 in the same counties	74 6 „

* Judging from the Reports of the Commissioners, and the returns as to agricultural earnings given to Parliament, I estimate the average wages at the present time as about 11s. 6d. or 12s. a week, or an increase of about 25 per cent. since 1851.

Since 1850 the changes have been even yet more adverse to this class, as, though the rise of wages has been in some places very important, it has not been so in those backward regions of which I have spoken, but the price of meat has just about doubled, and the price of clothing must have seriously increased, to say nothing of house rent, and other minor matters. After giving an elaborate review of the condition of the labourers, the Commissioners above referred to say in their First Report, § 272:—

"The general conclusion, therefore, that follows from this review of the condition of the agricultural labourer is, that he has lost opportunities and means of bettering his condition which belonged to his class in former times, and that his actual pecuniary resources are, in very many cases, so low, that, unless in all such cases his condition can be improved, it would be unjust altogether to deprive him and his family of the power of adding to his weekly stock of earnings by such small sums as can be contributed by some portion at least of the labour of his children from the earliest age at which that labour is profitable to him, provided that the age and the duration of the work are not such as to produce physical or moral injury to the child."

Is it possible for any man to believe that this account of the history of the agricultural labourer could be correct if there had not been some serious defect in the law, some hindrance to the flow of capital into this business of cultivation? The poverty of the labourers perpetuates their ignorance, and their ignorance tends to perpetuate their poverty. If they are to blame, as doubtless they are, for many of their own miseries, at any rate the law might secure them a fair field, so that the demand for their labour should not be restricted by any act of Government. It may fairly be asked, who is responsible for that neglect of education which makes the labourers of England careless as to the future of their own children, and more anxious to secure a small addition to the family earnings and a better supply of beer than the comfort of their wives and families? I think the answer must be, those who make or maintain the present laws. Who can wonder at their choosing the pleasures of the taproom when their houses are hovels, and when from the very nature of the case they are

unable to appreciate more intellectual enjoyments? It is often said that if these men had better houses they would not use them, and there is certainly evidence to show that, even in Scotland, they do not appreciate much that is done for them in this direction. But this is no reason for leaving things as they are. The improvement must commence from above, and cannot be expected to originate with men living in such extreme ignorance and poverty. The law cannot make men sober and thrifty, but it need not make their progress towards better things even more difficult than it already is.*

* Since the first edition of this essay was printed, a meeting has been held in Herefordshire of labourers for the discussion of their position. The following condensed report will, I think, interest the readers of this volume. I take it from the *Agricultural Gazette* of January 6th, 1872:—

"Clee said they had met together that night to state their difficulties as to the miserably low wages they worked for. Labourers' wages were from 9s. to 10s., perhaps 11s. per week; but very few reached that (11s). What they wanted was 15s. per week; and the question had been asked a many times since they had begun to meet together, 'How was it that the labouring man twenty or thirty years ago worked for 7s.?' Well, he said that a man could buy as much for 7s. then as he could now for 10s. Only look at the prices then and now. Bread was sometimes higher then than now, and sometimes lower. Meat was then 4d. and 6d. per lb., and cheese 4d. and 6d. per lb. Then butter was 6d. and 8d., and now it was thought cheap at 1s.; and cheese was now 8d. or 9d. Then, a man could feed a pig, had a good crop of potatoes, and he could buy his barley for 2s. 6d. or 3s. per bushel, but now it was 5s. or 6s. All this made a wide difference to a man; and, besides, a farmer used to give a man a meal of victuals now and then, but at present very few indeed did it. Some masters behaved better than that, but they were not many.

* * * * * *

"Kinsey said he was paid 11s. per week, and 1s. he paid for rent every week. Out of the 10s. that was left he had to support himself, his wife, and his five children. He had one little girl out at service at present. It took 7s. every week for bread, and out of the 3s. remaining he had to find all the other necessaries—that is meat, butter, tea, coffee, clothes, and shoes for seven persons. He found it was far too little, and yet the generality of the farmers paid even less than he received.

"The Chairman asked if the speaker had any 'privileges.'

"Kinsey said he had two quarts of cider a day in the winter, and as much as he liked in the summer. He had the run of a pig; but these were privileges that many of the men did not have. He found it very hard at the present time to live and support a family as they ought to be supported, and yet his own case was not so bad as many others.

"The Chairman: Does your wife and children bring you anything in?

"Kinsey: My wife, when she is well, does work out; but she is poorly at times: and, what with that and nursing she cannot always go out. My employer to-day has promised to give me 1s. 6d. per week in compensation for the cider, all the year round, and for three months in summer he will give us 1s. per week extra wages; that is, 1s. 6d. for nine months and 2s. 6d. for three months. [A voice: 'That's good.'] And I hope and trust that we shall see the day when the other farmers will do the same. I only wish

The last point to which I alluded in illustration of the economic defects of our law was the restriction on the freedom of the market, as tending to forced accumulation of land in great masses. Any law which restricts the sale of land must unnaturally enhance the price of that which is sold, and so prevent its purchase by men who cannot afford to throw away their money. Moreover, the sale of land in such large masses tends to perpetuate

the farmers and the landlords would meet together and consider the condition of the labourer, and I guarantee they will never repent it, but bless the day when they did meet. After some other remarks, the speaker said he believed the keeping of a cow would be a very great blessing to the agricultural labourer, for milk was one of the best things a family could have. He did hope he should see the day when every agricultural labourer would have a cow, a little plot of land, and a comfortable cottage. He believed that the labouring classes in general were not dealt fairly with. He believed there is, to a great extent, a law for the rich man and a law for the poor man. He knew a case where a man took a cottage off a farmer; the cottages were let by the landlord to the farmer, and sublet by the farmer to the labourers, and when a man took a cottage there was some slight verbal agreement. He knew one party in particular who took a cottage in that way. It was out of repair, and the farmer was to repair it. The man went in at Candlemas (February 2), and he remained till a little after Lady-day. He then asked the farmer if he could put the cottage in repair, and he replied, 'Do you think I am going to put up a new house for such a man as you?' The man said he did not want a new house, he only wanted the old one put in repair. But the farmer would not repair it, and the man left. His master proceeded to law against him, and sent him to gaol for fourteen days for leaving the house. But whose fault was it? He thought the labouring man was not treated fairly in those cases. He wished to have the cottages upon a different footing; there should be six months' notice before a man could be turned out.

"Holland said he had not seen the hardships some of them had, as his family was but small. He should have preferred listening to men with larger families, but those were the men most in fear, and who did not like to speak out. But they must sympathise one with the other, and speak not only for themselves but for each other; and they should try to bear each each others' burdens. He was not used so badly himself as a many was, but still he found it hard enough to meet his payments. When he looked around him and saw men with large families, he really wondered how they did live at all on 9s. or 10s. per week. For himself he could not do with much under 1s. a week for firing—the house would be very desolate without a bit of fire all the year round. Some of their opponents talked of 'the privileges of a pig,' as if the master gave the pig for nothing. But the men had to buy the pig, and to buy the stuff to feed it. Some months ago he bought a pig for £1, and it had cost him £6 or £7 to feed it, or about 2s. 6d. a week. Fifteen shillings a week was not too much, he thought, for a man to rear his family on; and he thought that a man who did a fair week's work earned 15s. The farmer had before him the prospect of saving enough of money to live upon in his old age—the labourer had nothing before him but the workhouse, let him be as saving as he could be. Young men could join a club, but when they got married they had no money to spare to pay into it. It was admitted by some of the farmers that the working man was, as a general thing, honest and industrious; but he would ask if the way

the system of holding land merely as a luxury, and not as a business. A man who can afford to buy a great estate which pays him about 2 per cent. on his capital is generally a man who is in no sense dependent on his land, and holds it mainly because it is a pleasant kind of property, which gives him social power where he lives. Such men are often very useful, but we want also the men who purchase land in order to make a living out

in which he was treated was the way to keep him so? Let a man be used fair, and then it would be some encouragement to him to be honest and industrious. It was said that if a man had a cow his wife would not be able to manage it; but the labourer's wife had been, generally speaking, the farmer's servant, and knew all about cows. It was a great advantage for a single man to save money, of course, but what little he could save soon went when he was married. If he could have bought a cow with it, however, he would have it for his family. He thought, if things didn't alter, the only thing for them was to emigrate. He had a letter in his pocket—a very good, encouraging letter—from a friend of his who was now doing first-rate abroad.

"Owen asked why the farm labourer was worse paid than any other working man in the kingdom. He had asked a farmer the question, and he had acknowledged that it was so, and he seemed to think that it was the fault of the landlord. The farmer admitted also that the workmen ought to have 15s. per week. He (the speaker) had worked sixteen and seventeen hours a day, or eight or nine days a week, for 11s. He had a large family. Last year he paid 8s. 6d. per bushel for wheat, and his family consumed a bag in a month, which came to 25s. The speaker gave other figures to shew the cost of the maintenance of his family. He was puzzled, he said, in conclusion, to know how he was to go on.

"Sirrell had kept a cow, and testified to the many advantages of it. At present he had none, as he had nowhere to keep it. In America they could buy as good a cow for £5 as they could for £15 here, and there the keep was a mere nothing. He believed, if they would persevere, they would succeed in what they wanted. He believed the day was not far distant when, instead of the labourer having to search two or three days for a job, and for the farmer to inquire into his character, the farmer would have to mount his horse to search for a labourer, and the labourer would want to know what was the character of the farmer before he would work for him. If the labourer were better fed, he could do more work, and so the farmer would be benefited. And again, if a man were remunerated so that he could put something up for a rainy day, he would not have to fall upon the parish when the 'rainy day' did come.

"One or two other speakers, all farm labourers, followed, and their statements were of a very similar character. Their food, they said, was chiefly meal, potatoes, and bacon occasionally. Butcher's meat they never tasted, and one man said he had had but three pounds of butter in his house in twelve months. Another man, named Morris, who earned 10s. per week, and had a wife and family to support out of it, said, besides paying 1s. rent, he had to pay 1s. week to the union towards the support of his aged father. He thought that very hard, because, if things didn't improve, he should very soon have to trouble the parish himself. His father reared eleven children out of 10s. a week. All the speakers were in favour of keeping a cow, and several pointed out the superior advantages which were offered in America to those offered them in this country.

of it, and who cannot afford to pay prices which represent not merely the intrinsic value of the land, but also rights of shooting, facilities for hunting, and social and political power. In his recent speech, Lord Derby says that the supply of land is equal to the demand. That may be true in this sense, that the supply of these great properties at present prices is equal to the demand for them. But the fact is, we do not know what the demand for land would be under a more natural law. The history of modern building societies gives many of us ocular demonstration of the extent of the demand for small parcels of land near towns, if not elsewhere. It would have been as wise to have said forty years ago that railways could not pay because the passengers by the old coaches were not numerous enough to fill the trains, as, in our times, to use Lord Derby's argument. In a country like ours the demand arises with the supply, and were nature allowed free scope in the distribution of the land, so that any embarrassed owner might get rid of his estate and his embarrassment, without asking the leave of his successor, such an amount of land would come into the market as would compel a sale in smaller portions, and these would change hands at prices more commensurate with their intrinsic value. It may be said that a great estate is now frequently sold in lots; but no one would think, as a rule, of bidding against a man who has set his heart on the whole, unless, perhaps, in the case of some outlying portion, or unless there should be a rivalry between two men equally eager for a lot, and equally indifferent as to the pecuniary result of the investment. It is to be further observed that a man who has given an extreme price for land, even though he be a rich man, is less likely to be willing to lay out money in improvements than a man of another class who has bought as an investment, and with the object of improving the investment by increasing the productive power of the land. We want rich owners, but a man of quite moderate means may be rich, relatively to the acreage he has purchased, and anxious to lay out money upon it; whereas a man far more wealthy may

be tempted to buy a great territory, and find himself unable to expend what is needed for the due development of such a property. It is *relative* wealth that in this matter we especially require. Were the land more divided, you would have greater relative wealth over the country taken as a whole. You might still have abundance of very wealthy owners of large estates, but you would have fewer embarrassed and struggling proprietors.

It is natural here to remark that the custom of holding land in such great estates, and as a source of power as well as profit, must tend to perpetuate the vicious system of dispensing with leases. The landlord dislikes leases, because a farmer with a lease is more independent, in a political sense, than a tenant who has no lease; and the farmer dislikes leases "chiefly from the fact that there was really less change of tenancy and a lower scale of rent under a system of yearly tenure than under a lease."* The landlord waives some rent in order to have a dependent tenant, and the temptation of a low rent leads the farmer to dispense with security as well as independence, to his great loss both in pocket and position. This system has become general over the greater part of England, with what injury to her agriculture is plain from the comparative history of Scotland, where the system of leases has assisted in producing a wonderful development of agricultural enterprise and skill. The best landlords in England have abandoned or are abandoning this system of tenancy at will, but nothing would so certainly tend to abolish it as a more natural law of succession, and a somewhat larger number of owners, who look to profit rather than power from their land. I do not of course say that the present law necessarily prevents the granting of leases. There are many settled estates in England where the farmers have leases—*e.g.*, Woburn and Holkham—and in Scotland such cases are very numerous. But our whole territorial system tends to discourage the granting of

* See Caird, "English Agriculture in 1851," p. 508.

leases, and of this system the law in question is one of the most important elements. No doubt, under an altered law many men would still continue to refuse leases, but, gradually, estates would change hands, and the examples of estates managed with a view to the well-being of the whole agricultural community would multiply. Public opinion would change, and, at length, the prejudices of farmers and the political ambition of proprietors would give way to wiser counsels, and we should see here what is so common in Scotland, a tenantry devoted to their chief and his family, but taking their own independent course on public questions, feeling themselves to be responsible to no man for their opinions.*

* Some high authorities think that our agricultural difficulties would all be solved by the adoption of "tenant right," or the custom of giving a tenant compensation for unexhausted manures and some other improvements, on his giving up his land. This system prevails in several parts of England, and its merits are much discussed. Mr. Caird (*loc. cit.*, p. 507), after careful consideration, has pronounced against it. M. de Laveleye (*Cobden Club Essays*, 1870, p. 260), on the contrary, speaks of it as most successful in Belgium. It is impossible for me to discuss so intricate a question on this occasion. Certainly it is not easy to see why a custom which is found to work so well in Flanders should fail here. Probably the solution of the difficulty will be found in the fact that the custom in one county is quite different from that which prevails in others. In Lincolnshire, for instance, the tenant only pays for extraneous improvements either in the form of manures or other matters, the application of which can be readily proved, whereas in Sussex the custom is so extensive in its operation that frauds are frequent and well-nigh unavoidable, so that some landlords are buying out the customary right as fast as possible. Even were the custom in its best form universal, it would not relieve the owners of land from the duty of making all needful permanent improvements, so as to leave "farming capital" free. It will, I think, be interesting here to give a short extract from an address of Neel Caird to the Scottish Chamber of Agriculture:—"When a man's possession is precarious, or his lease is approaching its termination, every ton of purchased manure which he puts into the farm is a premium to somebody else to offer a higher rent over his head. Common prudence compels him to hold his hand, and to take out of the farm as much as he can get on a reduced expenditure. The productive power of the farm is thus diminished, and this is a source of great national loss. It is hurtful also to the landlord, and hurtful to the incoming tenant, who incurs a heavy expenditure at the beginning of his lease, to restore the fertility of the farm. The reduced production by which he suffers, and by which the landlord also suffers through him, commonly continues till he has gone over at least a full course of cropping, for his restorative treatment and manures have to be applied at the appropriate stages of rotation. Neither is it for the advantage of the outgoing tenant to starve the farm, if he were protected against the loss of his unexhausted manures and tillages. The only other course which an ordinary outgoing tenant can reasonably be expected to take, under the present law, is to use such quick-acting manures as shall exhaust

Having discussed various economic objections to our law, I will now refer to its social influence. Frequently we see in the newspapers cases where the heirs to great estates have to apply for release from debts which have become unendurable. Each such case has a strong family likeness. The young man having great expectations has been tempted into extravagance at college. Others know what his position is as well as himself, and so he has found borrowing fatally easy. With "the progress of the suns" his thoughts have widened like those of other men, and he has entered on new forms of extravagance, ending in increase of debt, until at last friends are tired out, and there remains nothing for him but a scandal and the Court.

themselves before his term is out; and these are not restorative, but stimulant and exhausting. The true interest of all is that he should have a right by law to have the value of his unexhausted manures and tillages allowed to him on his removal. You might then expect that farms in general would be kept in full fertility till the end of the lease, and the whole country would benefit by it. It would be a just and wise policy for a great landowner to establish, as the rule of his estates, that where he means to treat at all with the old tenant, he should settle the new lease before the beginning of the last course of cropping under the old lease. Unfortunately this is almost never done. Reflect for a moment on the amount of wealth which is lost to the country through the want of reasonable arrangements on this subject. Have we any means of roughly estimating it? On a seven-course farm, held on a ninteen years' lease, you may reckon that the last five years will be a period of reduced expenditure by the outgoing tenant, and of exhaustive cropping. Then the first seven years of the new lease will be a period of liberal expenditure and gradual restoration of productive power. For the next seven years you may expect the farm (unless it had been greatly reduced) to be in full fertility; and then begins again the evil cycle of exhaustion. You will have on the individual farm seven years of Egyptian fatness, alternating with periods of comparative leanness; but the lean years will be in the proportion of twelve to seven. Where there are no leases and no compensations on removal—remembering the motives by which men are commonly influenced—the leanness will be apt to become chronic, unless in exceptional cases, such as where the character of the landlord gives a tenant all the security which he could have from a lease. Then, consider that this reduced production is in constant action everywhere. And when you remember the enormous value of agricultural produce in Great Britain, even as things are (estimated by the best authorities at £200,000,000 a year, and by some much higher), you may form a conception of the wealth which might be poured into the coffers of the country through the pockets of farmers, if, by wise legislation on the subject, based on the motives by which men are acted on, you could sustain the land in full fertility during the whole nineteen years of a lease, instead of seven out of nineteen, or on a five-course farm, nine out of nineteen."

In the *Agricultural Gazette* of December 16th, 1871, is a letter, the statements in which afford a strong illustration of the injustice sometimes caused by the present system of farming tenure:—"If you will allow me, I will

Such histories are not confined to men of great and certain expectations. But they are far more generally to be met with amongst this class, and for two obvious reasons: first, that a young man with these perverse inclinations, and without moral force, has nothing to restrain him if he knows that his fortune is assured, whatever his conduct may be; and secondly, that money-lenders are willing to run a large risk where they know that the inheritance of their victim cannot be diverted from him by any "caprice" of a parent. There are great proprietors now living on allowances out of their estates whose careers have begun in this way, and there are other hopeful youths who are commencing the like miserable descent, as we see from recent revelations.

give your readers a short sketch of my experience of the system of tenant at will. In 1850 I took a farm of 160 acres in the county of Durham. It was undrained, had bad roads, bad buildings, and was thoroughly out of condition; and none but those who have had such a farm can really appreciate the difficulties and enormous expense of bringing it into anything like a good state of cultivation. Believing in the solemn promise of the landlord that so long as I treated the land well and paid my rent I should keep the farm, I set to work in earnest, made a good road nearly the length of the farm, carted materials for a quantity of new buildings from a considerable distance, had almost the entire farm furrow-drained, the landlord finding the pipes; and the land, which was covered with a carpet of twitch and almost every kind of noxious weed, I had thoroughly cleansed, very deeply ploughed, and both limed and well manured. Now of course the effect of all this outlay was very speedily seen in the luxuriance of the crops, and in the greatly improved general aspect of everything connected with the farm, and I naturally looked forward to getting a fair and reasonable return for what I had put into the land. But will it be believed that, when these improvements were all finished, I received a six months' notice that unless I would pay £100 per annum more rent, I must quit, and that without a single farthing compensation? Yet such was the stubborn fact. Anxious to have some good of these years of labour and expense, I offered £50 a year increase, but was told by my 'honourable' landlord that some one else had offered him all he asked. Now if this is not a case of downright robbery I don't know where to find one. The man had no right in equity, whatever he had in law, to pocket the results of my hard labour."

At a meeting held in Coggeshall in December last, Mr. Catchpool, described by one of the speakers as an excellent farmer, made the following observations, as reported in the *Agricultural Gazette* of December 30th:—"Mr. Catchpool said Mr. Mechi had spoken on the topic of steam-cultivation. He, as a farmer, wished that gentleman could have said something about tenant-right; for he held that it was of no use a man improving the land he occupied to a great extent if at the expiration, perhaps, of a fourteen years' lease the landowner was to come down upon him and say, 'Your land is of very much more value, and you must pay an advanced rent.' The tenant, in that case, not only had to find the money for the improvements, but had also to pay a large interest upon it in the shape of increased rent."

Now why should not a father in such a case have the same power that he would have were the family fortune of his own creation, so that if the eldest son should turn out a disgrace to his name, he may choose another as the recipient of the estate? If the law were a natural law, such a power would certainly exist. And it may safely be predicted that, were there such a power in all cases—or, in other words, were the father always the owner in fee-simple of his land—the instances would be comparatively rare where sons would so far presume on the good nature of their parents as to indulge in such monstrous follies; and it is certain that, with a law so altered, the facility of raising money by expectant sons would be reduced to a minimum. There are two common answers to the argument I have here used. First, it will be said that testators are capricious; and secondly, that the very existence of the peerage would be endangered were the land to be divorced from the title at the will of the father of the heir.

There is no doubt that some men make very foolish wills; but if this argument proves anything, it would seem to militate against the power of making wills as a whole, and not especially against wills of land. The question is, whether a settlement made before the birth of a single member of the family is or is not more likely to be wisely adjusted to their needs than the will of the father made with a full knowledge of the circumstances and characters of his children. The settlement is really a blind document, made in absolute ignorance of what the position of the family will be. The will is made when all is known; and there can hardly be a doubt as to the probable relative wisdom of the two documents. Take the case, for instance, of the eldest son being an idiot, or becoming lunatic, or bankrupt—an event which could not be foreseen. The settlement gives him all the land, though entirely unfit to hold it; but the will of the father would secure him a maintenance, and give the land to another person. It is needless to multiply possible cases. Except for the purpose of keeping the land intact in the hands of a

family, the settlement is clumsy and feeble, whereas the will can be adjusted from time to time, to meet the varying exigencies of family life. Doubtless some cling to the law because by it the land is thus kept in the hands of particular families far longer than is natural, and thus, as it is said, the stability of our institutions is maintained. How any good can result to any one from the spectacle of ruined cottages and undrained fields, with their sure accompaniments of a discontented peasantry and failing crops, I know not. Institutions are undermined by the misery of the people. Let those who think otherwise consider the history of the French Revolution. Had the land system of France been a just and wise one, such a national catastrophe would have been simply impossible.

The difficulty as to the peerage is, apparently, more serious. It is to be observed, in the first place, that if the maintenance of this august assembly be the real reason for retaining the present law, it seems strange to mould the law which affects the whole kingdom in order to suit the interests of so small a body as the peers. No doubt their holding is large and their functions are very important; but it would really be more sensible to have one law for their land, and another law for the land of commoners, than to adjust the law as to land generally to meet the needs of so small a class. But is the law necessary for the good of the peers themselves? The idea is that a peer ought to be a man of means so ample that he may have both leisure and independence of mind for the due exercise of his legislative functions. No one will dispute this proposition. But supposing the expectant peer to be the son of a wealthy father, can it be supposed that the father will deprive the heir to his title of the family estate, unless his conduct be in some way disgraceful to their common name and dignity? And if it be so, and the result should be that the Peer gets into difficulties, the recent Act will deprive him of his powers as a legislator. Cases of favouritism might possibly arise, where a peer, forgetful of the requirements of his eldest son as a peer, might leave the

bulk of his property to a second son; but the law cannot be twisted to meet these exceptional cases. As the law now stands, we have not a few poor peers, and the order survives their obscurity, and so it would continue to do, even were their number somewhat increased. But the change I advocate would not really increase this number, because some men, like the Duke of Newcastle and others, would early be arrested in their career of folly, and so spare themselves and their families infinite disgrace. Moreover, those who thus argue that the peers require such special protection are surely very indiscreet friends. For, if men possessed of every advantage of wealth and education, are unable so to guide their private affairs as to avoid failure and disgrace, unless they are protected from themselves by an antiquated law, the question naturally arises how they can be fitted to be the hereditary counsellors of the Sovereign, and to have the power of cancelling the deliberate acts of the House of Commons. I think better of them than their own advocates, for I believe that they would adjust their family arrangements to the change of the law, so that they would obtain more, and not less, respect from the people. As it is, they are regarded by many as the main obstacle in the way of a much needed improvement of the law. They can easily dispel this notion, and that without any real injury to themselves or any diminution of their power.

Another important social effect of the present law may be traced in many a family history. It has been often pointed out that great injustice in family arrangements is fostered by our law as to primogeniture. It is said that a parent does not feel it to be unjust to "make an eldest son," as the saying is, because the law would do it if he did not, were he to die intestate. It may, perhaps, be hard to say whether public opinion has created and maintained this law, or this law has operated to maintain an unsound condition of public opinion. Doubtless the law acts on public opinion, and public opinion reacts in making it easy to keep up so unjust a law. I shall not care to attack so barbarous a

relic of times long happily past. The present House of Commons has passed its verdict upon the law, and I regard it as condemned by the voice of the nation. Such a law must surely have a most unwholesome influence in encouraging testators to make absurd and capricious wills, and this is a strong argument in favour of its repeal. Whether some writers and speakers are not too sanguine as to the immediate results of the repeal may be doubted. Customs and feelings on these questions are not quickly changed, and long after this law shall have been repealed ambitious men will leave the bulk of their landed estate to their eldest sons, so as, if possible, to maintain the family supremacy. But, gradually, I hope and believe that wiser and juster counsels will prevail.

The social effects of our present law must be considered also in connection with the humbler classes of society. It is needless to repeat what has been said as to the moral, or rather immoral, influence of the present condition of cottages, and as to the depression of the wages of the labourers. The importance of these points is admitted even by those who suggest no remedy. I wish to refer to a subject which is much less considered in this country. In the Reports of H.M. Representatives abroad as to the tenure of land will be found constant reference to the importance of a large body of proprietors as a conservative element in the State. It may safely be said that, with few though important exceptions, every country in Europe has adopted the opposite system to ours. They are crowded with proprietors, whereas, with us, proprietors are few and far between, and the vast mass of our peasantry are hopelessly excluded from any palpable interest in the prosperity of agriculture. However abundant is the harvest gathered, they only gain indirectly, and they would be more than human if they laboured for others as they would labour for themselves. I do not, therefore, argue in favour of making them tenants of parcels of land by a legislative *coup de main*. But the existence of this social danger is an argument for doing everything

in our power to remove any laws which appear to reduce the amount of capital expended in cultivation, and thus to hinder the natural progress of our peasantry, both as to their condition, and as to their comparative numbers. What Mr. Cobden said many years ago is true now:—

"If you had abundance of capital employed on your farms, and cultivated the soil with the same skill that the manufacturers conduct their business, you would not have population enough to cultivate the land. I had yesterday a letter from Lord Ducie, and he has given the same opinion, that if the land were properly cultivated, there would not be sufficient labourers to till it."*—*Speeches*, i. 275.

In the Empire of Prussia there are said to be more than 5,000,000 proprietors† to a population of about 24,000,000, while in Great Britain no one seems to suppose that there are more than 300,000 or 400,000 to a population of 26,000,000, and very many of these are proprietors of enormous estates. In Silesia, which, for Prussia, is a district of large properties, Mr. White says that there are on an average nineteen proprietors to a square mile (640 acres).‡ I have great doubts whether in Great Britain there are on an average more than four proprietors to a square mile in the rural districts, and it is another striking fact, that 66 per cent. of the total acreage under crops in Great Britain is held in holdings averaging 215 acres in extent, none of them being less than 100 acres.§

The contrast is certainly remarkable, and the words of Mr. Harris-Gastrell merit the serious attention of our statesmen:—

"It may be affirmed that public opinion is in Prussia entirely in favour of her present agricultural organisation, and that in no rank of society, or office, or learning, or politics, is there any visible

* A strong illustration of Mr. Cobden's statement may be seen in the condition of the market gardens near our great towns. I know a case in the open country where the occupier of twenty acres employs as much labour as his neighbour who farms more than 200 acres, and obtains very nearly treble the return per acre, the land being of very similar quality in the two cases. Such cases might be found in any number by any one who will take the trouble to inquire.

† See Martin's "Statesman's Year Book, 1871." His statement appears to be confirmed by the Blue Book just referred to.

‡ See his reports in the Blue Book.

§ See Agricultural Returns, 1870.

minority in favour of the totally different organisation which dominates in Mecklenburg, and resembles in some respects that of England and Ireland. The opinion of treatises of political economy and statecraft may be summed up in the words of Roscher:—'A mingling of large, middle, and small properties, in which the middle predominates, is the most wholesome of national and economical organisations. That much can undoubtedly be taken for granted.' . . . In Prussia the nation and the philosopher are one."—*Report*, part I., P. 369.

We have the three kinds of properties, but certainly, with us, the large predominate—an arrangement which, if it be best for agriculture, is, socially, the most dangerous.

"The distribution of a number of small properties among the peasantry forms a kind of rampart and safeguard for the holders of large estates, and peasant property may, without exaggeration, be called the lightning conductor that averts from society dangers which might otherwise lead to violent catastrophes.

"The concentration of land in large estates among a small number of families is a sort of provocation of levelling legislative measures. The position of England, so enviable in many respects, seems to me to be, in this respect, full of danger for the future."—*M. de Laveleye.*

Moreover, this danger is an increasing danger. Apart from the question of the number of proprietors, it is important to consider the comparative number of the rural population. Our town population is rapidly increasing, but between 1851 and 1861 the number of persons engaged in agriculture in England and Wales fell from 2,084,153 to 2,010,454. I have seen no similar comparison based on the last census, but there is a very prevalent impression that the same process is still going on. It would not probably be any exaggeration to say that, during the past fifty years, the proportion of persons engaged in agriculture to the whole population has fallen from a third to a tenth. This is not surprising. In many parts of England wages, even now, are such as most naturally to encourage a migration from the country to the town, and the marvel is, not that so many go, but that so many stay in these days of easy locomotion. A man with 10s. or 12s. a week, and a bad house, and a long way to walk to his work, may well be tempted by

what he sees and hears of the superior attractions of the town. Too often he is sadly deceived, but this will not prevent others from making trial of an experiment which seems so safe to those who are ignorant of the special miseries of town life to the poor. When one considers what is the condition of millions of the town population, and what might be the condition of a vastly increased rural population were their wages better and their habits improved, it is impossible not to regret that so great a proportion of our people should be crowded in dingy streets and alleys. It is quite true that these people might help themselves far more than they do, and that without their own co-operation no people can be permanently raised. But the law should help them, and not hinder them.

It is evident that the remedy for this dwindling of the rural population is not to be found in a mere change of tenure, for France suffers from the same malady,* spite of peasant proprietorship and small holdings. The remedy suggested by Mr. Cobden in the extract I have quoted is the natural remedy, for, surely, if more money were spent, more hands would be employed at better wages. The use of machinery would not decrease the amount of employment for good workmen. More skilled workers would be required, but the history of other occupations shows that the demand for ordinary hand-labour keeps up along with that for superior labour, when more capital and skill are employed. There is no reason why the tillers of the soil should not be as skilled and intelligent as the workers who dwell in towns, and, were they so, they would form a national bulwark of the highest value. Any law which tends to weaken this defence is as dangerous as it is disgraceful to the State which permits its existence.†

* See M. de Lavergne, "L'Agriculture et la Population."

† I have not entered into the history of English tenures, curious and interesting as the subject is, for it seems to me to be really beside the mark. It is of no use showing that some great injustice may have been done to the villagers of the sixteenth century, as if we could visit the sins of the lords who then lived on those who now hold their estates by inheritance or purchase. No one having any serious responsibility would venture to pro-

I have already hinted at the change which I venture to propose in order to apply a remedy to the evils I have enumerated, and to secure real freedom of trade in land. But, before discussing it, a preliminary question arises. The whole argument of this paper is based on the supposition that more capital is the one thing required, and that to secure this we must look in the first place to the owner, and only secondarily to the occupying tenant. But Lord Derby, in the speech above mentioned, disputes this, and tells us that "what is expected from the landlord is much less that he should put a large amount of capital of his own on to the soil—though, of course, that is desirable—than that he should offer no

pose such a proceeding. What we have to consider is, not what was done so long ago, but what is to be done now. We may find valuable hints in some of the ancient statutes, but the mere history of tenures does not seem to throw much light on questions of agricultural economy as a practical science for men of our own time.

It is, however, interesting to observe that there can hardly be any doubt that the land of England was in ancient times held after the same fashion as that which prevailed in Prussia till our own times, and which her statesmen have been long engaged in endeavouring to get rid of. We have still plenty of open commons left, but it is certainly strange to read the following description as characteristic of a large part of the area of a country like Prussia:—"The ancient and apparently most usual manner, was to lay out the land in parallel bands, parallel with much sinuosity, if necessary, but each band with an area equal to the standard size. The length of such a band was frequently twenty-four times its width. . . . As the various bands were often an English mile long, and scarcely 150 yards wide, no division in length was practicable. Hence the system of cultivation was carried out by division in width. . . . In some districts the sub-division of each farm, and the dispersion amongst different owners of the portions, were so great and irregular, that a map of any one of these presents a most confused appearance. . . . 'The peasants declared in 1806 that the intermingling of more than 1,200 parcels of land was so great that, in respect of this or that bit, no one amongst them was able to say to whom it belonged; and that several times a bit belonging to one person had been by mistake manured by a second, and then sown and reaped by a third person.' . . . Whoever had not in the proper time reaped his field, was obliged to allow the flocks of the community to pass through his crops. Hence each farmer of the district was compelled to follow a regular style of farming, so that all the fields destined for this or that purpose should be ready at the fixed time. . . . It is easily conceivable into what a bondage this system threw all farmers in the modern days, who had obtained a little agricultural knowledge."—*Mr. Harris-Gastrell's Report*, p. 306.

What were the exact steps by which England escaped from this wretched system it is not very easy to say, but it would seem clear that the fact of her escape from these trammels must have been one of the causes of her progress in agriculture, and one reason why she stands so far beyond many other countries at the present time. In fact, it may be fairly argued, that her pre-eminence ought to be far more marked than it is, having regard

obstacle to its being put on by the tenant;"* in other words, that he should grant leases. If this be so, it seems to follow that, provided the tenants have leases, the tenure of the landlord is, from an economical point of view, of very little importance. The tenant will find the capital if only he has "security." Now, valuable as leases may be, and yet more valuable as they would be if supplemented by a well-considered system of tenant-right, it is yet easy to expect too much from them. You have no right to look for permanent improvements from a tenant, even if he have a lease, or tenant-right, or both. He will have plenty to spend in manures, in labour, and in machinery, without asking him to drain his land or put up farm buildings or cottages. Some tenants may make permanent improvements, but you ought not to depend on such exceptional cases. The very essence of our system is that permanent improvements should be made by the owner, so that the capital of the tenant may be free, and that he may be in a position to spend it to the best advantage. Neglect is seldom to be

to the immense advantage thus given to her by the course of her agrarian history. The change may have been brought about by force and by the greed of the lords, as some say; or it may have been, as others assert, the natural outcome of the commercial spirit, when it seized on the nation, and penetrated even to the landed interest. Whatever may be the truth as to this matter, the fact remains, that separate husbandry has long since prevailed in our island, and there can, I think, be no doubt that to this we must, in no small degree, attribute the progress we have made. The fact of this important difference in our agricultural history makes it far more difficult to compare our system with that of the Continent, where peasant proprietorship has had the immense disadvantage of the breaking up of even small properties into so many portions. Two good illustrations may be found, one in Prussia, and one in France. In the report just quoted will be found a table, from which it appears that in the Rhineland province of Prussia 6,127,216 acres are held by 824,611 proprietors in 11,818,587 parcels, and in the "Western Provinces" 10,759,167 acres are held by 1,028,384 proprietors in 13,881,246 parcels. In the Report of the French Enquête Agricole, p. 19, a case is mentioned where 2,080 acres are divided amongst 270 proprietors in 5,348 parcels. This is bad enough, but when to this is added the existence of common rights, as between one proprietor and another, the marvel is that any result is attained, not that the results are inferior to those we see at home. As M. About puts the case in his forcible style: "If a number of villagers own twenty acres in common, you may predict that the ground will be neither drained, manured, nor cultivated. Every one will take all he can out of it; no one will spend a sou of capital or a quarter of an hour's labour upon it. Sell the village common to yonder poor shepherd with a dozen sheep, and these twenty acres will soon produce 500 hectolitres of corn."—*Le Progrès*, p. 189.

* *Times*, September 6, 1871.

observed where the owner has done his part, but it is continually to be found where the tenant is left to himself, and expected to battle against all difficulties, unaided by the very person who ought to feel the keenest interest in the prosperity of the estate. An owner who has expended largely will not tolerate a careless, incapable tenant; but an owner who is conscious of his own deficiencies can hardly criticise severely the conduct of one who has only followed his own example. Thus the neglect of one reacts on the other, to their common impoverishment. Each has his work, which cannot with impunity be abandoned. But the initiative ought to come from the man who has the property. He must show his confidence, and the tenant will follow. The late Lord Leicester's tenants are said to have spent £400,000 to his £500,000; but until he had spent much no one would take his farms at any price.*

The argument comes back to a demand for freedom for the owner—that he may not be hindered or discouraged by law from doing his part, or from selling his land if too poor to hold it to advantage.

My conclusion is that this freedom can only be attained by making all ownerships fee-simple ownerships, with certain special exceptions arising out of widowhood and the minority of children—*i.e.*, in other words, by forbidding all settlements of land, with these exceptions. Such a law would not compel the division of estates. A man would be able to leave his land to one child, or *en bloc* to a stranger, if he have no children. The effect might sometimes be to cause divisions; but we need not fear these in a country where, at the same time, the process of accumulation is going on so rapidly. In the natural condition of things, both operations will go on side by side, and if we tolerate such preposterous accumulations, we need not be so nervous as to divisions, even if in some exceptional cases division should be carried to an extreme. In France a forced division

* See Mr. Caird's account of the Holkham estates, in the work already cited.

has worked very slowly, so that the comparative number of small proprietors has increased very little during the present century.* Accumulation even there has overtaken division, and this fact ought to make us less timid as to the effects of a natural division.

A less violent change has been proposed—viz., that the settlor of an estate should be confined to lives in being at the date of the deed or of the death of the testator.† Such a change would be useful, but would, I think, leave the mass of the evil untouched. At present re-settlements are generally made when the eldest son of the family comes of age. Were the law altered in the way thus proposed, this settlement would have to be deferred until a son should be born of the marriage of the heir, and then there could be a settlement on father for life, son for life, and grandson in remainder, just as at present. Cases would occur, no doubt, where this could not be done; or where the heir, having become the head of a family, might refuse to make a settlement; but in most cases the father would be able to influence him, and thus this proposal would be practically nugatory, when considered in relation to the country at large.

Nothing is more common than to hear the French law held up *in terrorem* whenever any change in our law of succession is proposed. But that law differs in every way from the proposals here mentioned. The French, fearing accumulation, have in fact invented a new and most perplexing system of entail. They do not allow a man to give his land to one child and his personalty to another, but, starting with the idea that the child has an inherent right in a certain part of the property of the parent, they do not allow the parent to defeat that right by will, except as to a small share (one-third if there be one child, one-fourth if there be two or more children), and they insist on the division both of land and personalty

* See M. de Lavergne's "L'Agriculture et la Population," and M. Passy's "Systèmes de Culture," p. 154. The population of France increased 18 per cent. from 1815 to 1842, but the number of *cotes foncières* only 14 per cent.

† See Mr. Hobhouse, Q.C., at Leeds, October, 1871, and others.

en nature, so that, however inconvenient it may be, every parcel of land held by the parent must be again divided, and so on from generation to generation. It is obvious that such a system must restrict very greatly the freedom of the owner of land. The French may thus have hindered accumulation, but they seem to have caused greater mischief, and to have produced many of the defects of our system without its benefits.

The will of a father is an elastic instrument, but such a rule of law as the French is a rigid and clumsy machine which cannot work smoothly, so as to meet the infinite complications of human affairs. "The freedom of willing prevents litigation and settles each case differently according to the needs of practice and of life, instead of proceeding by a dry abstract and inflexible rule."*

A man may be the owner of a farm, the division of which into several parts would be utterly ruinous. He may desire ever so much to retain it intact, and it may be—as in some parts of France it has long been—the custom so to keep it, and to give portions to younger children in money; but this the law will not permit, and if the father by his will gives the smallest fraction beyond his *partie disponible*, the will may be upset. The consequence is that wills are very often omitted to be made; "for," as M. Cheysson says, "to make a will is almost certainly to leave a law-suit to your children."† The land is cut up and divided, however foolish such a proceeding may be, or it has to be sold in order to effect a division of its value. The house is gone, and the family as well as the land is broken up.‡

But the change here advocated has nothing in common with the French system. We do not interfere with

* M. Cheysson, in appendix to Le Play, "L'Organisation de la Famille," p. 247. A remark which might be applied to our settlements.

† M. Cheysson, in appendix to Le Play, "L'Organisation de la Famille," p. 244.

‡ See M. de Lavergne ("Économie Rurale de l'Angleterre" p. 123): "It is doubtless sad that a property should pass from the hands which have held it as an inheritance, and the constant tendency to movement (*mobilité*) of property in France, especially when the law taxes every change, is one of its greatest defects; but what we ought to deplore is not the sale, but the cause which forces the owner to sell. When once a proprietor is indebted and impoverished, it is to be wished, for the common good, that his property

a man's will. We do not create subdivision by act of law. We do not advocate *morcellement forcé*. We merely say, Let the successor stand where the ancestor stood, and let not a dead man or a dead deed interfere with the freedom of the owner in order to protect another generation from its supposed incapacity.

There are two serious objections taken to any such proposal as that here made—one referring to the peculiar incidents of landed, and the other to those of personal property.

First, it is said that without the power of strict settlement a man could not found a family so effectually, and that therefore rich men would feel less disposed to purchase land. But this object, though not unimportant, is far less important than the many other inducements which cause men to desire to make investments in land. The love of country life, and its pursuits and pleasures, is widely spread amongst Englishmen, and the possession of land will still give social power and position which will have great attractions to those who can afford to be satisfied with a moderate return for their capital. Moreover, a man who wishes to leave all his land to one son could still do so, even though he would not be able to secure its transmission to his grandson. The desire to control events so long after a man has ceased to exist affords an example of the lust of power which can hardly command the respect of a judicious statesman. If a man's descendants are wise, they will retain his land and use it well; and if they are fools, the sooner it passes from them the better. There are cases where a man has given land in fee-simple to one son, and given other land only for life to another son, because the latter has had less capacity for business. If a man cannot trust his child with his land, the wise thing would be to settle personal estate upon him, and with the present law as

should pass from his hands as soon as possible; it can no longer prosper in them. From this point of view the French law, which puts few obstacles in the way of transfer, is better than the English. But the case is different as to successions to deceased owners. The forced division of land is a real evil with us, and the day will come, I hope, when, in the interest of sound economy, what is excessive in it will be corrected."

to the settlement of personalty my proposal would not interfere.

This remark leads naturally to the second objection above mentioned. It was said last session by Sir Robert Collier, and, doubtless, it will be often repeated, that no change by way of restricting settlement of landed estate can be entertained, because any such change must involve the like restriction as to personal property, and that this would be highly inconvenient. It may readily be granted that any restriction as to settlement of personal estate might be inconvenient, without at all affecting the argument of this paper as to the law with respect to land. The subject must of course be discussed apart from the absurd distinctions of English law as to what is real and what is personal estate. A field held for a term of 1,000 years is, in law, personal estate; but a like field held in fee is real, though in fact there is not the smallest distinction between them, and if the one ought not to be settled, neither ought the other. But between land and money in the funds, or shares in a railway, or any other like undertaking, there is all the difference in the world. Land is, in fact, a growing property dependent on management by the owner, and personalty is not. The whole argument of the land question as now understood is based on the fact that everything depends on the character of the ownership; but it is not so as to personalty. It makes, speaking generally, no difference whatever to any one or to the public, whether shares or moneys of any kind are held by trustees or by a single beneficial owner, or whether the real owner takes the income for life or as an absolute owner, because in the case of shares any such owner is only an owner of a very small part of the whole, and the development of the undertaking does not depend on anything to be done or left undone by any one man; and in the case of moneys in the funds, bonds, debentures, and the like, no question of management by an owner can possibly arise. Any law, therefore, professing yet further to restrict the powers of settling land might with perfect consistency be so worded as not to include

cases of true personal estate, as distinguished from terms of years, which really are estates, in land.* It has been the policy of English law to restrict the settlement of personalty in order to prevent enormous accumulation of wealth in one hand. It is not my business here to discuss the question whether this restriction should be made more stringent than it is. I merely wish to point out that such a question has really no bearing on that which I am now discussing, but that land and personalty may, with entire good sense, be treated differently by the law in this, if in no other particular.

It is scarcely needful to refer to peasant proprietorship as a remedy for our existing difficulties. No serious proposition has been made in this direction except for the establishment of co-operative farms, under State patronage. Now this has really nothing in common with peasant proprietorship as understood on the Continent. It is not the small *farmer* who has had such great success in various countries, but the small *owner*. After perusing the Reports of Her Majesty's Representatives as to the tenure of land in Europe, I think any dispassionate person must admit that the ownership of small properties by a great number of peasants tends to the diffusion of happiness and comfort amongst the rural population to an extent to which we are too little accustomed. But the same person would see that the case is very different with the tenant-farmers of small plots of land. The condition of those farmers is too often just what might be expected. Heavily rented, with short leases, they have difficulty in making a decent living, and often pass their lives in a fashion reminding one too much of the condition of some of our own agricultural labourers. The day may come when natural causes may lead to the division of English land amongst a much larger number of owners. I am not prepared to say that any evil consequences would

* In this remark I refer, of course, to terms of years created for the purposes of settlement, and not to agricultural or building leases. The owner ought to have the most ample powers as to the creation of such leases.

result from such a change. On the contrary, I think it highly probable that much good might thence ensue to the whole people. But forced subdivision is as objectionable as forced accumulation. The one and the other alike interfere with the natural distribution of the land amongst the people, and ought, therefore, to be alike opposed by those who advocate the principles of Richard Cobden. We have no right to decide that a holding of one size as such is better in itself than another. It is our place to leave people to find out for themselves what suits them best, provided always that we leave them really free, and do not limit them in their choice by a system of entails, or force land into the market by a law like that of the French code.

I think the following table may be interesting as illustrating the extraordinary variety of systems existing in Europe, and the equally remarkable difference in their results:—

	Agricultural Population to Total Population.	Average Return of Corn Per Hectare.	Head of Cattle per 1,000 Inhabitants.	Head of Cattle per 100 Hectares.
	Per Cent.	Hectolitres.		
Russia in Europe	85·90	16	693	86
Italy	77	16	291	249
France	51	14·6	494	346
Belgium	51	19·3	402	660
Prussia	45	19·8	540	369
Austria	25	16	635	307
Spain	25	16	316	151
Holland	16	23	492	539
United Kingdom	12	40·8	515	478

NOTE.—This table is taken from Mr. Harris-Gastrell's Report as to Prussia, p. 221. The figure as to corn in the case of France appears to be too low, for, according to the "Agricultural Returns for 1870," the produce in France in 1865 was 17 bushels per acre, or 15·5 hectolitres per hectare. On the other hand, the figure for England should be 70 bushels, or 25·5 hectolitres, per hectare, and not 40·8. It is satisfactory to reflect that, with all our shortcomings, we produce more corn per acre than any country in Europe by the labour of a far smaller portion of our people, thus leaving a much larger amount of labour free for the manufacture of wealth in other ways. This is not an argument for leaving things as they are, but should rather act as an incentive to further exertions.

II.

It is not alone by our system of settlements and entails that freedom is interfered with in England. The holding of land in mortmain by corporations and others has attained such dimensions as to merit the very serious consideration of the Legislature. The ownership of land by a corporation is in fact a "perpetuity," and involves the practical removal of the land from the market. Such land is very seldom sold, and as it is of the very essence of a corporation that it shall last, if not for ever, for a period altogether indefinite and indefinable, it must be assumed that land once acquired by such a body will remain permanently locked up. This would be, perhaps, of no great importance to the State, were corporations, as a rule, good owners of such property. But it is notorious that almost all unbiased and competent witnesses declare them, with important exceptions, not to be so, and in saying this they merely confirm the conclusion to which one would arrive, as a matter of common sense and ordinary reasoning. For who is there, in the case of any corporation, who has the personal living interest in the prosperity of the land held by the body, which is required in order to secure the best management of landed property? The answer would be, speaking generally, no one. Such properties are in fact managed by agents and officials, without the supervision of any one, whose yearly income, mainly or entirely, depends on the condition of the estate; and so long as things go on decently, and no diminution occurs in the revenue, the agent knows perfectly well that he need not be anxious as to the tenure of his office. Moreover, in many cases, such bodies have not the funds requisite for the right performance of the duties of an owner as to the making of improvements, and even if they have such funds it may be against the interest of the members of the corporation for the time being so to lay them out. Take the case, for instance, of the fellows of a college. To lay out money in permanent improvements of land

may cause the diminution of the income of the existing fellows, and it can hardly be expected that they should consent to this privation for the purpose of improving the position of those who may come after them, and who will not be connected with them by any tie of relationship. Until recently the colleges of Oxford and Cambridge could not lay out money in improvements from want of power to raise the funds, and even now the interests of the existing body of fellows must be opposed to such a proceeding. I know well that some of the colleges are presided over by enlightened men, who would willingly make—and do, in fact, make—present sacrifices for the permanent good of their corporation; but in dealing with these questions we must take ordinary men as the rule, and not legislate as if men of large views formed the majority of mankind, whether learned or unlearned. This argument applies with as much, and even greater, force in the case of municipal corporations and other like bodies. If any one requires an illustration of their mode of management, let him pass over to Derry, and inquire how the estates of the Irish Society are managed, and I think he will come to the conclusion that, whatever may be said by worthy aldermen, such a body is in the very nature of the case unfit to perform the delicate duties confided to it. I do not wish to refer to many authorities in this paper, but I cannot refrain from quoting a passage from the evidence of Mr. George Culley, which will be found in the Second Report of the Commission already referred to (Appendix, p, 96):—

"If, however, the labourers on the estate of an ordinary life-renter are, as far as their cottages are concerned, in a bad way, the labourers on the estates of collegiate and ecclesiastical bodies, and all corporate bodies whose members manage and divide the income of the estate, are in a much worse: the life-renter has a conscience, but the corporate landowner has none; and the system of beneficial leases, to which some of them still cling, is simply an abomination."

Mr. Culley goes on to quote the following remarkable words of Mr. C. S. Read, M.P., in his essay on the farming of Oxfordshire:—

"It is computed that nearly one-sixth of the income of the land of this county (Oxford), *i.e.*, rent and tithes, belongs to the Oxford colleges and other religious bodies. Speaking generally, the property of the university is badly managed. The master and fellows of a college have no permanent interest in the estate, and it is not often that the bursar is a man of business habits or conversant with the management of land."

There are, of course, exceptional cases, where corporations, from the peculiarity or accidents of their composition, or from the very nature of the work they have to do, devote minute and zealous attention to the management of their landed property. There are corporations (such, for instance, as the Ecclesiastical Commission*) who have ample surplus funds which can

* In the first edition of this essay, I referred to the case of the Ecclesiastical Commission as one where a corporation had neglected its duty. I did this on the authority of a statement made by the Bishop of Manchester (see *ante*, p. 134), but information since received has satisfied me that in this case the fault is not with the Commissioners, and further, that they are fully alive to their duty as owners of land, and anxious to perform it. This fact does not in the least affect my opinion as to the action of corporations generally, but I have pleasure in making this acknowledgment. This Commission is, in fact, a great machine for getting rid of the vicious system of "Church Leases," which prevailed so largely under the former management of episcopal and capitular estates, and which the bishops and chapters were powerless to alter. No tenure could be worse, and no instance could better show what evils and abuses are apt to creep into the management of land by corporations, and the difficulties which stand in the way of self-improvement by such bodies. The results of the altered system are certainly curious and interesting. "The general results are the reservation to the episcopal and capitular corporations of such leasehold estates as they see fit to retain for permanent possession, or as building grounds, or for additions to parsonages, and the average increase of about one-half in the revenues beyond the receipts under the present system; such increase being transferred to the Common Fund of the Ecclesiastical Commission, subject to the local claim for augmentation of the living of the place where the enfranchised property was situated. The total numbers of the transactions effected (in 1863) since 1851 has been more than 4,000. . . . Of these, 1,998 have been fully completed, relating to property of the value of £7,357,000. The value realised by the corporations under the system of taking fines proves to have been 32 per cent., and the increase realised by enfranchisement is 16 per cent., so that the improved value obtained on these 1,998 cases exceeds £1,200,000, of which, according to the last report of the Church Estates Commissioners, £1,127,546 has been actually transferred to the Common Fund. Assuming the value of the Episcopal and Capitular Estates at £36,000,000, and that this average improvement arises on the whole (an assumption well within the truth), an improved value of £6,000,000 sterling is the value of the difference between the system of taking fines and the present system, the corporations continuing to receive the full incomes obtainable by them under the system of taking fines. . . . . The opportunity also of dealing with the property has enabled arrange-

be appropriated at will to making improvements. But such cases must be regarded as very rare, and the position of such bodies might well receive special attention in any proposed change of the law. Speaking generally, if we expect diligence in matters like the management of landed property from corporations, we shall be disappointed. A corporation is, in fact, a body made up of owners, each of whom is, at most, a tenant for life only, and is obviously in a position of far less responsibility and with far less interest in the prosperity of the land than even the tenant for life of an ordinary estate, the defects of whose tenure I have already sought to depict. I see no good reason why corporations should not be freed from the burden of a duty for the performance of which they are in general so unfitted. Let them sell their land, and hold their property in other investments which would be equally safe, and even more remunerative, so far as our generation is concerned. This operation would, in a few years, add in an important degree to the production of the whole country, because over millions of acres, comprising some of the best land in Great Britain, negligence would be replaced by enterprise and care, and landlords crippled in their action by the very necessities of their position as corporate bodies, would be replaced by individual capitalists, responsible only to themselves, and personally interested in the prosperity of their estates.

Almost everything that I have said as to the landed property held by corporations applies with equal force to that large mass of property held by trustees under the Act of 9 George II., commonly called the "Mortmain

ments to be effected relative to building land and other improvable property previously remaining mere agricultural land. Several towns were partially surrounded by ecclesiastical land, injuriously restraining their extension, where now buildings have been erected, to the profit of the Church, and the great advantage of the town; and there are several estates which, if judiciously retained, will supply increasing means for the future relief of spiritual destitution."—*Letters from Mr. E. J. Smith to the Archbishop*, 1863, page 30.

It appears from an article in the *Quarterly Review* for January, 1868, that the augmentation in Church property, through the operations of the Commission, was then estimated at £8,000,000.

Act." Trustees under this Act are very commonly owners without any funds in hand out of which to improve their property, and there is in their case the same want of personal interest as in that of corporations.

It is obvious that in the case of almost all public bodies, the possession of some buildings, and therefore of some real property, is essential. It is a question of degree, and it does not follow that because a wealthy corporation may hold certain buildings, without which it could hardly exist, that it should hold great areas as a source of ordinary revenue, when the same or even a greater revenue might be derived from other property, which could be held by it without any public mischief or inconvenience. In a vast number of cases under the Act of 9 George II., the trustees are proprietors of nothing but a building and some small piece of adjoining land for the purpose of a school or chapel, or the like. I am not arguing in favour of a prohibition of such trusts. It would be easy to permit them, without permitting such trustees to hold, merely as an investment, land not required for the purposes of the special trust.

It is impossible to state with any accuracy what is the value of the lands held in mortmain, but it is safe to say that it is enormous. If we take the Ecclesiastical Commissioners and the Universities alone, we shall find a capital sum not far short, if at all, of £50,000,000; and looking to the vast properties held by municipal corporations and other public bodies in all parts of the kingdom, I have a strong impression that something like a sixth of the whole real property of the nation, worth about £500,000,000, is, practically, held in mortmain. One is continually hearing of fresh instances which illustrate as well the wide diffusion of this property as its wretched management. Only very recently I have discovered an instance in the parish in which I reside, where the "poor" of a parish in Lincolnshire hold land worth £700 an acre, from which they receive an annual return of some £2 or £2 10s. per acre. Such cases are certain to abound, with what loss to the State it is not

easy to estimate, until more precise information can be procured.

This section would be incomplete without some notice of those suggestions which have recently been made for giving to the State direct powers of interference in the management of land, and thus making full use of lands now held in mortmain. It is proposed that the State shall buy land, and let it out to "co-operative associations" or to "small cultivators." It is also proposed that the "lands belonging to the Crown, or to public bodies or charitable endowments," shall be "made available for the same purposes." The same destination is proposed for all lands now waste and intended to be inclosed under Act of Parliament. There is a certain vagueness about these proposals which makes it not very easy to deal with them. But the general thought of the proposers is clear enough, viz., that the management of land can safely be entrusted to a department of State, and that thus the interest of the people, as such, in the land can be extended, with the best results to the nation.

If we took lands from corporations and gave them to the State, we should merely substitute one form of management by deputy for another. There would still be the absence of the private owner as a spur and check, and the new owner would be even more impalpable and indifferent than a corporation. I have great faith in the ingenuity of Mr. Thomas Hare and the Land Tenure Reform Association, but I have far more faith in the vigilance and activity of a multitude of private owners. I do not say that by this scheme some improvement would not be effected, but that is not the precise question before us. We have a choice of remedies. We have on one side a huge new department of State, with a new set of machinery, more or less elaborate; and on the other hand, we have a demand for land by private owners, eager to improve it for their own advantage, with all the needful capital and all the required machinery, without any expense whatever to the State. We know what can be done by private ownership where

the law leaves it unfettered, but the experience we have of State management is not encouraging. The great departments are not managed with such ease and economy as to tempt a statesman to create another, unless compelled so to do by the absence of any other mode of proceeding. The cause seems to be that in State management there is the minimum of private interest with the danger of a maximum of jobbery. In the management of a great State department, entrusted with the disposal of a huge property, there might be much favouritism without any such flagrant failure as to imperil the position of the principals of the department. Failure would not bring palpable, direct loss to any one, as it does in the case of a private estate, and the loss of reputation, or the absence of an advance in reputation, is a loss too vague to be very seriously felt by a well-paid official not in immediate fear for his place. Mr. Mill thinks the State could manage the waste lands and the lands held in mortmain better than they are now managed, but even he appears to have a great distrust of State management. Speaking at a meeting on the 15th of May last as to the plans of the "Land and Labour League," for "nationalising" the whole of the land, he said:—

> "I have so poor an opinion of State management, or municipal management either, that I am afraid many years would elapse before the revenue realised from the State would be sufficient to pay the indemnity which would be justly claimed by the dispossessed proprietors."

I think that the failure of the State would be just as conspicuous in the smaller scheme, to which Mr. Mill gives his adhesion, as in the larger, about which he hesitates, for even the former would involve trying a huge experiment of State management of land. It is possible that some poor men might derive a benefit from the plan proposed; but the risk of failure is surely too great to justify its adoption, when there is an alternative about the result of which there is no reasonable doubt, supposing the tenure of private property to undergo reform. It may be open to question whether much

good would result from handing over the lands in question to a multitude of life tenants, but there can be no doubt as to the effect of changing the present ownership for an ownership in fee-simple. You would thus exchange the maximum of neglect for the maximum of activity and enterprise.

III.

In order to have complete freedom, there must be ease of transfer as well as simplicity of tenure. It would be absurd to provide for the abolition of entails, and not at the same time to secure some system of transfer which should encourage buyers of all classes and all sizes, by removing the hindrances which now appal any but the wealthy purchaser. Certainly no complaints of our landed system are more loud and better founded than those which refer to the cost and difficulty of transfer. Every other nation in Europe has a system of maps and registration of titles or ownerships, which enables the holder of land to convey or to mortgage his property as easily as an Englishman can transfer his Consols, and at a cost (irrespective of stamps enforced by Government) which seems to an insular understanding almost absurd. If we had the like system to-morrow, it would not give us freedom of trade, as it would not alter in any way the position of limited owners; but a change in the law such as I have proposed would not only give us freedom, but would make it far more easy to commence a complete system of registration and easy transfer. There is no doubt that we owe the complexities of our present system to our long settlements and entails, because, but for them, we should not require to investigate the history of titles for so many years, and it is obvious that if titles were made to spread over short periods, one great source of expense would be avoided. But it is to be observed that though you have no trouble as to the title of personal estate, which passes by a process as simple as the delivery of a horse, it is at the same time possible to make the trusts of personalty almost as complicated and lengthened as those of land. You

cannot make an entail of personalty, but you can make trusts which shall, for all practical purposes, have a very similar result. It follows, therefore, that it is not the mere existence of settlements which is the cause of the distinction here referred to. The real difference is that with personalty the trust is outside the title, and with land, in very many cases, the trust or entail is a charge not merely on the trustees, but on the land itself. If I am a trustee of Consols, I can transfer them into another name, and the Bank of England, as keepers of the register, know nothing and refuse to know anything of any one for whom I may be a trustee. They take my order for transfer, and they have nothing to do with the way in which I deal with the proceeds of the stock. But in the case of land the trust becomes part, as it were, of the land itself, and there being no register of the title, I as the trustee cannot transfer without involving my grantee in seeing what is done with the money, except where, by the terms of the settlement, a purchaser is expressly exonerated from all responsibility as to the way in which the money is disposed of. In the case of large settlements, this peculiar power is always given to trustees; but, speaking generally, a purchaser of land is bound to know all that has been done with the land for the past sixty years, lest, owing to some unexhausted settlement, or some breach of trust, he should find that some other person is really entitled to the land and not himself, or that he has to refund to another the whole value of the property which has been improperly conveyed in fraud of some other person or persons entitled under a settlement.

This distinction is forcibly expressed in the following passage from the Report of the Commission on Registration in 1857, p. 24:—

"If there had been always a register of land, as there is in fact a register of ships, of stock in the funds, and of railway shares, it would be difficult to point out any substantial distinction between property of that description and land, so far as regards the mode and form in which they might respectively be transferred or sold. . . . . Had land always been similarly registered and

similarly transferred (with stock and ships), no one would now think of imposing on its present proprietor the harsh and unnecessary burthen of furnishing, before he could part with a single acre, a detailed history of every transaction relating to the property for a period of sixty years; nor of forcing him, before he could borrow £100 for purposes of improvement, to prove every birth, marriage, death, settlement, charge, conveyance, or incumbrance that might by possibility affect the title for more than half a century past; and if this be so, how much more beyond reason would it be to compel an owner, after such a process had been gone through on his purchase, again to undergo it, when he might wish to sell that to which the title had been both recently and abundantly proved."

Were the example followed which is set before us in the case of personalty, every piece of land would have its owner in fee, the law for this purpose recognising none but owners in fee; and such owner, whether in his own right or as a trustee for others, would be able to convey the land absolutely to a purchaser without any right on the part of any person whomsoever to dispute the transfer when once completed. There might be the same power of distringas or notice as now exists in the case of stock, supposing any person interested in the land to be in fear of fraud, or to desire to protect partial interests. This plan, or something very like it, has been long in use on the Continent, and there is really nothing but prejudice to prevent its adoption here.

What is needed is not a register of the histories of titles, but of estates, and the names of their owners. A register of deeds might save some expense of searches when once completed, but the other expenses would remain much as they are, for there would be the same title as now, and the same need for its investigation. Moreover, as soon as all is cleared up in any given case, and the title duly recorded, the same system of complication by charges, mortgages, and settlements commences *de novo*, thus preparing great trouble and expense for another generation of purchasers.* It is also worth

* A remarkable illustration of this observation may be seen in the case of land sold under the Irish Encumbered Estates Court. There a new complication of title in lands sold under the Court has begun, so that the good work of the Act is being rapidly undone.

observing that the risk of error in searching in a register of deeds is not so light as it may at first sight seem. An error of this kind might be most serious, and might easily be made by an attorney's clerk, with what consequences can be imagined by any one at all conversant with the law of real property.*

But it is sometimes objected that under such a system trustees would have greater facilities than they now have of conveying away the land they hold. It is, however, to be observed, that if this objection be a sound one, the law ought not to permit, as it does permit, the making of those settlements, the trustees of which have power to convey absolutely, and to free the purchaser of them from all inquiry. The system I have described is merely an extension of the plan adopted in these settlements, and is therefore not open to objection on principle. Again, as to frauds by trustees, it is singular that any such argument should be used, and nothing said as to that vast mass of personal property which is all held by the system of registration, and with no claim whatever on the part of defrauded *cestuis que trust* to disturb the transfers made by their trustees. If *cestuis que trust* of land require special protection, so also do those of personalty; and if these latter can dispense with such protection, so also can the former.†

Again, it is sometimes urged that the arrangement and definition of parcels would give rise to much difficulty, if a register were made general. Whatever trouble might be caused by the necessity of having a general map of the whole country and every estate in it, there could not be more difficulty than is now caused by the confusion and intricacy of parcels, where each man

* See case of Rochard *v.* Fulton, mentioned by Mr. R. R. Torrens, M.P., in his "Lecture on Registration in Ireland," p. 13, where the solicitor examined the memorial and not the deed itself.

† The Commissioners point out that frauds are less easy in the case of land than in that of personalty. "The purchaser of stock merely wants so much stock, and never even inquires about his vendor, who may be a fraudulent trustee. But as to land, purchasers never, and mortgagees very rarely, deal for anything but a specific property, as to which they know the tenants, and can make inquiry of them."—*Report on Registration* 1870, § 65.

makes his own map at his own expense. In other countries of Europe, maps are usual, if not universal. Any good system of registration must be based on maps made by Government, and kept in a correct condition by public officers. Under such a plan the accuracy of the description given in a transfer would not depend merely on the care of the attorney or his clerk, but on the proper conduct of a responsible public officer, the business of whose life it is to superintend his department with accuracy.

A good illustration of the value of a clear definition of parcels is to be seen in the history of the great fire at Hamburg:—

"In 1842, after the great conflagration . . . the building sites were re-adjusted and laid out anew, without almost any dispute as to boundaries being heard of. This could never have been so, had not the existing description of parcels been undeniably reliable. But the just principle of fixing, by the superior authority of the community, the measurements—always made in the presence of the neighbours, and steadily adhered to from early times—has worked so well that the transposition of an immense mass of intricate parcels . . . appears to have been almost a matter of calculation."—*Dr. Hübbe on Registration in the Hanse Towns, presented to Legislature of South Australia, Nov.* 1861.

It is really needless to repeat that the present system of voluntary registration has failed. The Royal Commission appointed to inquire into its working has reported that it is a complete failure. But they propose another system of voluntary registration. They consider the principal reasons of the failure of the law of 1862 to be that by it a man can only register an indefeasible title, and that he is bound to settle his boundaries in a way which gives rise to much trouble and litigation; and that partial interests are all registered. They therefore propose a system by which a man can, if he likes, register a "good" title from any date he may choose, such registration not releasing a purchaser from the duty of investigating the title except during the period during which the title has been on the register. It is obvious that this system would

work far more effectually than the present, as many more owners would use the register, if they were only bound to show a good *primâ facie* title, leaving a purchaser to find out any error in it only when the occasion should arise, and they were not, as now, required to ask the registrar to do his best to show flaws in their titles. But the new proposal seems to have the fatal defect that such registration would not be universal. If registration be a good thing—so good as to be paid for out of public money—it should not depend on the fancy of individuals whether there shall or shall not be a complete register. That is just how the law now stands, and will stand, even if the new proposal of the last Commission should be adopted. Their report is most valuable, as it fully adopts the plan of registering only the fee-simple, and leaving partial interests to the protection of notices, and it gets rid of the delusion that you can register nothing but an indefeasible title. But it does not accept the natural consequences of the conclusions of the Commissioners. If you are not hindered by the need of registering only indefeasible titles, and if therefore you are able to register ownerships as they stand, what is there to prevent every man from being compelled to put his land on the register? Such a plan would not make the transfer of land as easy as that of stock at once; but if the periods of limitation and prescription were shortened, as is now proposed by many of the highest authorities, a very few years would make the title shown on the register a perfectly sufficient and satisfactory one.* Under our present system the last nine years have been utterly wasted. We have tried a costly experiment, with just the results which were

* Compare the description given by the Commissioners :—"At the commencement, indeed, the validity of the title of the first registered owner will still depend, as it does now, on the validity of the title of the party by whom the transfer has been made. But as time passes on this title will gradually strengthen itself, until it has reached a period which, under the operation of the Statute of Limitations, will make it complete, and mature it into an impeachable statutory title. Year by year the purchaser will be brought nearer and nearer to this result, and so the expenses which attend the retrospective investigation of title will be gradually diminished, until they reach their minimum point."—*Report on Registration of Title*, 1857, p. 35.

predicted. Some amiable gentlemen have got comfortable places, and that is about all we have for our money. Such experiments bring all law reform into disrepute. What we need is some plan which, if it will not give us all we need at once, will, at any rate, begin the work effectually, so that every year shall bring us nearer to a perfect system by the natural operation of our law, and that not merely as to such estates as the owners may choose to bring under it, but as to every piece of land in the kingdom.

It is obvious that one very considerable difficulty occurs with reference to those limited interests of which I have said so much. It is proposed, for instance, by some to put the tenant for life only on the register as representing the estate. I shall not here discuss this proposal, but merely repeat how much the whole question would be simplified were the change made which I have proposed. Having only fee-simple ownerships and the charges on them to deal with, the whole business would be easily disposed of. A B is placed on the register as fee-simple owner, and if no one puts a notice on the register forbidding him to transfer, he can transfer his title to any one without trouble or expense. The certificate of title passes from him to C D, and there is an end of the matter. It is objected by some to any such proposals that what we want is an immediate cheap system of transfer, which should at once get rid of all need of investigating the title of a purchased property. To effect this they would insist on general registration, and would wipe away the past title, so far as concerns all dormant claims, in order to effect the general good of obtaining a really complete system of transfer. They would, in fact, commit a small injustice—small because the number of estates liable to these dormant claims is comparatively small—in order to effect a great good to the people at large. I fully admit that the number of cases where any injustice would be done is comparatively small, but yet I think it would be difficult to persuade an English House of Commons to deprive all infant or exiled heirs, or other

claimants, of their rights. Such a law would certainly have spared us the Tichborne case, but that case is a good illustration of the kind of injustice which might be done. It might easily happen that a man would obtain a title, and lose the estates intended for its maintenance.

It is needless to repeat the oft-told tale of the burden and grievance which our present system inflicts on the landed interest. Every one admits it and laments it. Even those most interested in the maintenance of the *status quo* do not argue in its favour. They profess, and most sincerely, a desire for a better system. It certainly does seem intolerable that we alone of all the nations of Europe should cling to so antiquated and costly a mode of proceeding, and it speaks ill for our skill as jurists that so much should have been written, and so much evidence taken before Royal Commissioners, without any result worth having. Perhaps in this we see one instance of the results of our most defective system of legal education. But all difficulties would have been overcome had the landed interest taken up the matter in earnest. They belong, however, to the class of people that grumbles and pays, and is timid about reforms. How much they pay, they do not perhaps appreciate. A most intelligent and experienced agent informs me that he calculates the loss to the landed interest, in respect of legal charges, to be equal to at least 10 per cent. on the value of the land.

It behoves the Legislature to consider that others besides great landowners are interested in this question. The present plan, involving as it does as careful an inquiry into the title of a few acres as of a thousand, must obviously work especial hardship to small purchasers, and must, therefore, seriously discourage their operations. This may be, in the opinion of some, no evil, because a small purchase is said to be a bad investment. But were more land brought into the market, the price might not be so extravagant, and we have no right, therefore, to assume that small purchases will never be profitable. The law ought not to discourage

one class of purchaser more than another, for the law has no power of guiding men in their private affairs. It is obvious that, as a matter of law, it ought to be as easy for a small capitalist to buy a piece of land as for a duke, just as we see small people make their investments in the public funds, an operation which ought by all possible means to be encouraged, as tending to foster economy. Moreover, for reasons already stated, there are social considerations which make it most wholesome that the number of our proprietors should be increased, as doubtless it would be were the present legal impediments removed. On the Continent small owners do attain to great success in cultivation, and there can be no reason why, in some places, at any rate, they should have a different history here. We have the best markets in the world, and the most perfect system of carriage, and there is everything to encourage a purchaser of a small lot of land near a great town, except the character of our legal system. Even in the open country there are many cases where a man has the requisite means and skill to make a good cultivator of a small holding, had he a chance of buying one. The law cannot create the opportunity for him, but it need not stand in his way. Such a man, however, would be very rash were he to attempt to buy land, for he may find himself subjected to a charge for law costs, which is serious in the case of a large purchase, but would be ruinous in that of a small property;* and after paying this heavy fine, he may discover too late that he has only purchased a lawsuit, involving fresh anxiety and expense. The cases where even rich men have lost their land through defects of title are not so rare as some would have us believe, and such cases are much more likely to occur amongst small purchasers. They are the very men who seek for cheap law, which is proverbially bad, and they are generally unable to obtain the deeds of the land which they have bought.

* Very recently a case has come under my own observation where a man sold another a small piece of land for £20, and the costs of transfer were £10!

Freedom of trade in land must mean freedom for all classes; and this will never exist until this question shall have been dealt with by Parliament, not in a feeble, tentative fashion, but boldly and completely. It is an important observation that freedom means freedom of borrowing at a moderate rate of interest,* as well as of buying and selling. On the Continent the process of borrowing for small owners is very simple and easy. Here it is practically an impossibility, unless a man has a banking account, and can borrow by way of equitable mortgage. Were all titles registered, it would obviously be more easy for a small owner to give a tangible and good security, and the legal expenses now incident to borrowing on mortgage would be entirely got rid of. The lender would not require any investigation of title, and the transfer of the land, or the entry of his charge on the register, would be effected in a few minutes, at a nominal charge. Any owner not desiring to register his mortgage might still borrow by deposit of his certificate of title, as he would deposit his deeds under our existing system. Mr. R. R. Torrens, M.P., in his lecture on "Registration in Ireland," points out that equitable mortgages would be far more secure under a good system of registration than they are now.† He speaks with authority on this question, as having had much official experience in Australia, where registration has been most successful. It is easy to see that this power to borrow easily and quickly is of the first importance to a small owner who may be unable to carry on his farm without some such assistance, and who would not in fact attempt the venture without the certainty of procuring it. Our whole system of cultivation is based on the idea that a

* In Hamburg the rate of interest on real property varies from 3 to 5 per cent., though mortgages are created for very small sums.—See Dr. Hübbe, p. 5.

† Mr. Torrens' experience confirms the opinion expressed by the Commissioners on Registration in 1857:—"The possession of the certificate of the registered ownership as an equitable security for money advanced will confer the same privileges and be attended with the same rights as those which are derived from the possession of title-deeds under a deposit. And it can be hardly doubted that, for the security of those who advance money under such deposits, the assurance that there could only be one title-deed to the property pledged would be of much importance.—*Report*, p. 36.

farmer should have his capital free instead of its being locked up in the price of his land, and thus with a comparatively small amount of money he can cultivate with success a considerable area. But this would be of far less importance, were our system of titles so arranged that any farmer occupying his own land could readily procure advances. Under such a system we should have a larger number than we now have of farmers who are at the same time owners. No one will dispute that such farmers are amongst the most successful of our cultivators—the very best of owners. They work for themselves alone, and in this resemble the proprietors of Flanders, who have done such wonders in the conversion of their sandy inheritance into one of the most fertile countries in Europe.

The contrast between our system of dealing with land, and that in use on the Continent, is well brought out in the following passage from Mr. Stewart's evidence before Mr. Slaney's Committee, on savings, in 1850, quoted by Mr. Scully in the Report on Registration (1857), p. 57 :—

"In England dealings in land are a luxury that a rich man may indulge in—that a poor man cannot indulge in. In Belgium there is a class we should call stock-brokers, but they are connected with dealings in land, mortgages, and transactions in land; and any person wishing to invest a large or a small sum, going to them, has no greater difficulty in having the transaction arranged, safely and properly, than we have in buying stock and going to a broker for that purpose. . . . . In Hamburg and in Frankfort all persons such as our bankers and brokers, if they have any money that they wish to make available, instead of laying it out as our bankers would, in the funds, or in Exchequer Bills or other securities, would invest it in land, which we, according to the present state of the law, do not consider an available security. . . . A banker in Frankfort takes this investment in land, as not only the safest and the best, but because it is most readily turned into money, with less deductions, or less influence from any circumstances."

Dr. Hübbe's Report as to the Hamburg Registe, quoted above is full of interest. The people of the Hanse Towns have had a complete register of all dea' ings with the land for centuries. The principle of

register is, that no dealings shall take place except on the register; that is to say, the ownership cannot change, except when a transaction is completed by registration, and further, that all charges are made by insertion of the charge on the register, so that a mortgage requires no transfer of the estate in order to make it a valid charge. Mortgages are registered according to their priority, and are dealt with as the very best and most negotiable of securities. "Heritable property only forms the basis of the register," but "life interests, vested and contingent remainders, executory interests, also terms of years may be, and very frequently are, protected by making annotations on the record." Every kind of complicated interest, whether in the land or the money charged on it, is protected by a system of caveats and inhibitions, which is said to work with the greatest ease. The principle adopted is that referred to above, viz.: that the register is conclusive as to ownership, and that which is done on the register cannot be undone except by consent of the registered owner. "The citizens from very early times have made it law that the entry on the record of the city can only be based on the consent of the owner, attending personally before the officer in charge of the book, or by his certain attorney; and that the entry, when once made, is considered conclusive evidence against all the world."—(p. 6.) The production of "the certified abridgment of title and incumbrances" is "an indispensable preliminary before any entry of a new owner of an hereditament is allowed to be made."—(p. 7.)

Those who require further information as to the course of proceeding adopted on the Continent in this matter, will find ample materials in the reports of Her Majesty's representatives already referred to. There are many differences of detail, but the same general principles seem to prevail, viz.—that dealings in land must be registered, and that a good system of registration requires a complete map of the country and its estates. A very good illustration is to be found in Mr. Morier's description of the proceedings in the Grand Duchy of

Hesse (vol. II. p. 207).* There the whole business is really done by the State officers without the intervention of any lawyers, and at a cost of 5s. for the transfer of a property worth £100, irrespective of stamps. Such a system as ours would be impossible in a country that swarms with peasant proprietors, and we may say, on the other hand, that the creation of small properties on any considerable scale is impossible in a system such as ours. It is needless to dwell on this contrast. There is nothing new about it; but the question naturally arises, How long will the people of England endure a burden so considerable and so absolutely needless? If a little common sense were imported into the discussion, it would soon end. The principles required for success have been adopted by the Commissioners. All that is needed is courage and decision. If the present Parliament leave this question unsettled, it will be another proof how often popular assemblies prove to be weak in dealing with great social questions, and fritter away their time in discussions which affect the position of persons and parties far more than the real interests of the people.

This essay has already exceeded all reasonable limits, and I must conclude. If I have argued justly in these pages, the conclusion is that what we need is real freedom —freedom of sale, freedom of exchange, freedom of transfer in all respects, freedom of testation, and for this purpose the prohibition of all those trammels which the system of settlements and entails has created. Given this freedom, we, on the other hand, do not require any further interference by the State, but the owners and occupiers of land may be left to settle their own affairs in their own way for their own advantage, and the greatest good of the people at large. In order to make this freedom complete, we must unlock the stores which the law of mortmain has kept, as it were, hidden, without benefit to the owners or the public, and for this purpose insist on the gradual sale of the estates of

* "Reports from H.M. Representatives respecting Tenure of Land."

corporations, so that the "magic of property" may be brought to bear upon them, and they also may be freed from the burden of "perpetuity."

These changes would, perhaps, operate slowly, but, as I believe, surely, to the great enrichment of the nation, to the good of the owners and their families, to the good of the tenant farmers, who need more security of tenure; and last, not least, to the good of those poor men without whose labour the soil cannot be tilled, and who hitherto have had to bear the heaviest burden in scanty wages, enhanced prices, and wretched dwelling places. The improvement has begun, but we need to urge it forward more rapidly, and for this purpose to divert to the business of farming some of that vast mass of capital which is ever waiting for investment,* and which could be used to far more advantage in our own land than in making loans to swindling governments. All it asks is security and freedom. We have the former, and the day is not, I hope, very far distant when we shall have the latter, and when it may truly be said of every portion of our country, as it was said of old of another land, "The pastures are clothed with flocks, the valleys also are covered over with corn: they shout for joy, they also sing."†

* The *savings* of the country are estimated variously by economists, at from £2,000,000 to £3,000,000 a week.

† Since writing these pages I have seen an essay in the *Edinburgh Review*, which is, perhaps, rather Conservative in its tone for so "liberal" a journal. I read, therefore, with all the more satisfaction the following passage:—"We should doubtless be deemed very nearly as revolutionary as Mr. Mill himself, were we to suggest that society would still survive and flourish, wealth would accumulate, and the demesnes of the rich would continue to adorn the land as they do now, *if no disposal whatever of property after death, by deed or will, were permitted, unless absolute, saving only such obvious exceptions as justice and public policy demand, such as life provision for widows, and agricultural leases.*"—*Edinburgh Review*, Oct., 1871, p. 483.

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FINANCIAL REFORM.

By T. E. Cliffe Leslie.

Cobden on Financial Reform.

Progress in finance is so closely connected with political progress that, however faint may be the indications of the hour, it may be foretold that we are advancing towards a period of great financial reforms. A wider distribution of political power must show itself in the taxation of the future; and taxation is but one department of the immense field of finance over which popular legislation has to sweep; though it is the department which demands attention first, and the reforms in it at which Cobden aimed are closely related to other financial reforms hereafter to be noticed. The two chief benefits which Cobden predicted from a wider distribution of the suffrage were national education and direct taxation,* and the first part of the prediction has been already fulfilled. If little has been done as yet towards the fulfilment of the other part, one reason is that Cobden's economic policy has been only half apprehended by many of its professed followers. The great

* "One of the advantages which I expect to see derived from the wider extension of the franchise in this country will be increased attention paid by those who are in influential places to the promotion of national education. . . . . Having expressed my belief that the extension of the suffrage will tend to the extension of education in this country, I say in reference to the taxation of which some people are afraid, that the tendency of legislation in our fiscal affairs, as the result of a widely-extended franchise, would go far to promote the prosperity of our commercial system. I don't know anything that could come from an extension of the franchise that would be more likely to benefit the upper classes as well as the lower, if I may use the expression, than a change in our fiscal system which very largely removed those taxes which are now paid in the consumption of the working classes, and transferring that revenue to income and property."—*Speech on Parliamentary Reform*, Aug. 18, 1859.

reforms actually accomplished in the name of free trade, and the tendency of men's minds to give to phrases the particular signification with which remarkable facts have first associated them, have limited the freedom of trade in general thought to the abolition of protective regulations and duties. But with Cobden free trade meant the removal of all burdens and restrictions imposed by the state or the law on production or exchange, and the emancipation of internal as well as external trade from all obstacles to their natural course of development. It meant, for example, free trade in the land of the kingdom as well as in foreign corn. It meant, too, the ultimate abolition of customs and excise duties, with all the interference with industrial and commercial enterprise they involve, and the direct levy of the expenses of government; although for practical reasons Cobden's own efforts were usually bent towards the reduction of indirect taxation by the reduction of public expenditure rather than by providing a substitute. So far was he from regarding the commercial policy with which his name is identified as already completely carried out, that he indicated plainly enough to those who appealed to him in his later years that they must look for that consummation to statesmen after his time, as well as to Parliaments more faithfully representing the interests of the whole nation than any in which it was his fortune to sit. In 1863 he wrote: "Nobody can deny that customs and excise duties and other indirect taxes are more costly in the collection than a direct levy of taxation; and nobody who has examined the subject can doubt that they obstruct commerce, impede manufacture, and check the production of wealth. If a proof of this be required, compare the progress of a free port like Hamburg with a customs-bound place like Havre. As to the difficulty of substituting direct for indirect taxation, that is a task for statesmen to accomplish. Once convince the public of the soundness of your principle, and you will soon have a Huskisson, a Peel, and a Gladstone ready to put them in practice. The municipal governments of our cities contrive to

raise their funds by a direct tax instead of an octroi, which is considered an impossible achievement by towns on the Continent. Now what are the taxes on tea, sugar, coffee, &c., levied at our custom-houses, but so many octroi duties on a large scale? I am as firmly convinced as of my existence that if we could have for a few years that experience of all the advantages which an abolition of import duties would give us, it would be as impossible to replace the custom-house as it would now be to levy octroi duties at the suburbs of our large towns. Of course you will be met by politicians of all parties with the assertion that your plan is impracticable, which means only that it cannot be at present adopted with advantage by either of the existing political parties; but if you can beat your opponents in the field of argument, you will sooner or later find statesmen to give a legal triumph to your principles. It is only a question of time."*

If the concluding words, "it is only a question of time," show full confidence in the final triumph of his principles, they show also, like all his language on the subject, that Cobden never expected it to be a rapid one. What he counselled was persevering argument and appeal to public reason; and it is a debt to his memory to make that appeal.

Object of Essay.

It is, then, the object of the present essay, in the first place, to contribute something towards an exposition of the grounds of Cobden's proposition that indirect taxes, customs and excise duties especially, are incompatible with good economy, with the freedom of industry and trade, and with the equitable adjustment of the cost of government; secondly to show that the theory on which these taxes stand is fallacious; and thirdly to make some practical suggestions for the substitution of direct for indirect taxation and the general extension of

* Letter to the Secretary of the Liverpool Financial Reform Association. —*Transactions of the Association for the Promotion of Social Science*, 1863, p. 86.

the former to all classes; indicating at the same time some other reforms demanded alike by Cobden's commercial principles and by those of a sound financial policy.

The classification of taxes as direct and indirect, it may be as well to premise, has been objected to on the ground that it cannot be consistently applied; the income tax for example being sometimes indirectly levied, as when the payments due from landowners and mortgagees are levied from tenants and mortgagors.* But this objection applies only to the wording of the ordinary definition of direct and indirect taxes; and we may safely continue to employ the terms to denote the radical distinction intended; namely, between taxes, on the one hand, levied either directly from the contributors themselves, or from funds on their way to them; and taxes, on the other hand, on producers or dealers, in the intention that they shall recover them in the prices finally paid by consumers.

The customs and excise duties are selected for special inquiry in the present essay, because the bulk of our indirect taxation is levied by them, and because they are the indirect taxes which most flagrantly violate Cobden's financial policy. The possibility of substituting direct imposts for these duties, or for those of them at least which should stand or fall on economic principles, depends in a great measure on the results of inquiries such as the present. For if it were to turn out that they interfere little with production and trade, that they are neither extravagantly costly nor very

* "One of the oldest and most simple definitions divides all taxes into the two heads of direct and indirect taxation; direct taxes being those which are paid by the person himself who is meant to be the real contributor—such as assessed taxes; and indirect being those which are paid by an intermediary, who reimburses himself from the real contributors—such as the customs and excise duties. But this definition cannot furnish us with a trustworthy classification, since it is founded upon an accident in the manner of payment, and not upon the nature of the taxes themselves. The income and property tax, for instance, is direct taxation when paid by the owner himself, and indirect when paid by the tenant or mortgagor."—*The Taxation of the United Kingdom*, by R. Dudley Baxter, p. 20.—See also "A Survey of Political Economy," by J. Macdonell, pp. 349—50. (Edmonston and Douglas. 1871.)

unequal, the public would not be easily moved to replace them with direct taxation, merely to conform strictly to theoretical principle. If, on the contrary, the majority of the nation should come to the conclusion that they are wasteful beyond measure and grossly unjust, the difficulty of substituting direct imposts for them would be in good part overcome. It is quite true of some of these duties—those on spirits, for example—that economic considerations are not the only considerations to be taken into account, nor are they the only ones that will be taken into account in these pages. But even in respect of the duties just referred to, economic results are of extreme importance as elements in the case; and they exemplify the operation of the system in other cases where no other considerations come into play.

Of the real character and operation of the customs and excise duties little is generally known. It is not the policy of finance ministers to find fault with taxes so long as it is convenient to retain them. When, indeed, a tax is to be condemned to extinction, the roll of its offences is read, but until then they are treated as, at worst, necessary evils. If the extent of the evil were made fully known to the public, the assumed necessity for its continuance would soon vanish, for direct imposts would be welcomed in their stead. But the evil is concealed because it is assumed to be necessary, and it is necessary because of the concealment. For when statesmen are silent, the public rarely hears from the producers or traders themselves, who are exposed in the first instance to special taxation, the complaints that might at first sight be expected; not to add that the effect on their own particular trade is but a small part of the mischief, and the only part brought home to them. Economists often point out as one of the evils of indirect taxation that it entails the necessity for larger capitals to do a given amount of business, and limits competition proportionately. But for that very reason the persons to whom competition is limited by the tax are apt to be silent even under vexatious and oppressive regulations

on the part of the tax-gatherer. And as a limitation of the numbers engaged in a trade secures the advantage of a partial monopoly to those engaged in it, so it brings a saving of trouble to those who collect imposts upon it, and causes an apparent economy in the cost of collection. It is easier and pleasanter to collect several millions of duty from a few large capitalists than from a multitude of small traders. Customs and inland revenue officials are thus well disposed to reply to occasional inquiries on the part of ministers, or remonstrances on the part of particular individuals in a business, that "the trade makes no complaint." And even where an individual trader rebels against the absorption of his capital in unproductive advances of duty, and the restraints to his enterprise and liberty imposed by official regulations, he is seldom disposed to draw public attention to his own grievance, and he knows not of the grievances of others. He does not seek to throw open to all comers the door he would open for himself. He perhaps plies the authorities with memorials for relief, but he is rarely disposed to publish to the world the improvements and profits he could make if his business were free.

Another source of general ignorance respecting the real burden of our system of indirect taxation is to be found in official estimates of its cost. The cost to the nation of the total amount of imperial taxation was estimated in the last Statistical Abstract at £2 5s. 4d. per head; and deducting payments for special services, it has been put by the Chancellor of the Exchequer at £1 18s. 5d. The cost of collecting the customs, again, is estimated by the Customs Commissioners at £3 6s. 3d. per cent.; and that of collecting the inland revenue is put by the Inland Revenue Commissioners at £3 1s. 7d. But all such estimates are fallacious and misleading as indications of the real cost of the system. A tax is levied, let us suppose, upon the manufacture of paper, which costs 3 per cent. to collect. Does that per-centage represent the cost to the nation of levying a tax which impedes the growth and diffusion of knowledge of every

kind, scientific, industrial, and commercial, and lowers the intelligence of the whole population? The chief cost of the system lies not in its immediate and visible effects, but in long chains of invisible consequence. Stop altogether the progress of the world, and the world would be unconscious of its loss. Mr. Gladstone afforded a striking example of the wide ramifications of consequence which taxes on particular commodities may occasion, when he said, in proposing the abolition of the duty on soap, "It may be said there is a wide interval between the premises and the conclusion if I say, in order to extinguish the slave trade repeal the soap tax. But at all events a connection of ideas more legitimate cannot well be imagined. The map would show how many are the rivers of the coast of Africa; those rivers may for the most part become depôts for the trade in palm oil. The quantities you may receive from that source are, it is stated, almost immeasurable. There lie the great materials for a trade which, if you can only relieve it from restraint, will show that the energy and capital of the country are as well entitled to carry the prize in this particular direction as they show themselves to be in so many others." It would not militate in the least against the principle which this anticipation vividly illustrates, if the particular commercial development it indicates were never to be realised. The actual developments of commerce and industry are beyond the prevision even of the most far-seeing statesman; liberty only can reveal the directions they are destined to take, and financial statesmanship consists mainly in permitting it to do so.

It is, too, one of the strongest reasons against the interference with industrial liberty which indirect taxes occasion, that things may not resume their natural course even after their removal; the longer they are retained, the more likely is it to be so.

It must be remembered, then, that the taxes we are examining are chargeable with all their consequences, direct and indirect, immediate and ultimate, and that the case against them is a cumulative one consisting of

all those consequences; of which but a very small part can be traced in the pages of an essay like the present.

If, however, the main principles can be indicated and exemplified with sufficient clearness, many further developments and applications of them may suggest themselves to the reader's own mind. And there is one primary principle teeming with consequence. The aggregate wealth of a country depends, of course, on the degree of development of all its resources; the development, that is to say, of all the capacities for production and commerce of all its localities and all its inhabitants. But to secure the development of all these resources or natural forces, one indispensable condition is perfect liberty in every locality for every trade, every company, every individual, and every enterprise; to allow every effort, individual or co-operative, to be made, every experiment tried, every improvement attempted. What Montesquieu said of agriculture is true of manufacture and trade: "Les pays ne sont pas cultivés en raison de leur fertilité, mais en raison de leur liberté." The wealth of countries is in proportion, not to their natural resources, but to the liberty for their use. This principle, it need hardly be said, may be accepted by persons differing considerably with respect to the functions the state itself may beneficially undertake. It is no question here as to the proper limits of state agency. There is no pretence that the interposition of the state in the cases we are here concerned with is other than restrictive and obstructive, but the public is left entirely in the dark as to the nature and extent of the restriction and obstruction. A singular delusion, fostered by the language of many political and economic writers, prevails respecting the industrial liberty enjoyed by the citizens of Great Britain. The language commonly used imports that every honest trade may be lawfully carried on in this country, every honest enterprise lawfully attempted, every industrial process followed without let or hindrance on the part of the state. "The great moral basis," it has for many years been the boast of our press, as it was of the excellent writer we quote, "on which the national wealth,

industry, and character of the English people rest is civil liberty, the uncontrolled freedom of action, and of the use of body and mind, subject only to the most obvious and urgent necessity of interference by government to prevent evil to others."* Such language only embodies the idea almost universally accepted of the industrial freedom of Englishmen, though in fact the very places from which foreign trade can be directly carried on are strictly appointed and limited; though the trade in certain commodities is yet more narrowly restricted as to locality; though processes of manufacture, and even of agriculture, are subject to the most arbitrary regulations by tax-gatherers, and certain productions and processes peremptorily interdicted.

The Customs.

Let us glance first at the character of the restrictions imposed by the Custom House. "The supervision and active interference of the Board," says Mr. Hamel, Solicitor to the Board of Customs, in his treatise on "The Laws of the Customs," "extend not only over the great port of the metropolis, but over every port of the United Kingdom." And of the army of functionaries by which "the supervision and active interference of the Board" are exercised, he adds: "The number of customs officers serving in the United Kingdom alone approaches 6,000, exclusive of the coastguard force engaged for the protection of the revenue. The latter force amounts to about the same number." We shall see hereafter that even this double army is unequal to the amount of "supervision and active interference" designed; but we must first consider their nature and operation, beginning at the coast and thence following them inland.

Were the prevalent ideas and current phrases respecting English liberty well founded, the whole coast line of the United Kingdom, and every place on the banks of its navigable rivers, would be open freely to foreign trade whether of exportation or importation;

* "Notes of a Traveller." By Samuel Laing.

natural conditions only—such, namely, as harbours, accessibility to markets at home and abroad, and the mercantile enterprise of individuals in each locality—would determine both the localities at which external trade is carried on, and the class of commodities exported and imported thereat. But there are duties on foreign trade to be collected, and the cost of collection would be enormous were every accessible place open to trade. Not only every creek, inlet, and bay, but every spot on the coast and along the course of every river that enters the sea would have to be guarded. "The Customs Consolidation Act, 1853," accordingly enacts that 'the Commissioners of Customs may by their warrant appoint any port or subport in the United Kingdom, and declare the limits thereof, and appoint proper places within the same to be legal quays for the lading and unloading of goods; or annul the limits of any port or subport, haven or creek, already appointed, and declare the same to be no longer a port, subport, haven, creek, or quay; or alter the names, bounds, and limits thereof." Not only is the importation of foreign commodities limited to the places thus appointed, but the exportation of commodities (though no duties are now levied on exports) is subject to the same restriction. "No goods are to be shipped from any place except such as are duly approved for the purpose, nor without the presence or authority of the officers of customs, nor before such goods have been duly cleared for shipment; and it is lawful for the searcher to open and examine all goods shipped or brought for shipment at any place in the United Kingdom; the weighing, unpacking, repacking, landing when waterborne, and shipment of water goods so exported to be borne by the exporters." The number of authorised trading ports of the United Kingdom has, not without opposition on the part of the Board of Customs, been augmented from time to time, until it now amounts to 133. At no unauthorised places, however well adapted for foreign trade, can either importation or exportation take place; but it must not be supposed that foreign trade may be freely carried on at all the 133 "ports."

By the "Customs Tariff Amendment Act, 1860," "the Commissioners of Customs may by their order determine into what ports of Great Britain and Ireland wine may or may not be imported, and all wine imported into any port contrary thereto shall be forfeited or otherwise dealt with as the Commissioners may think fit." The right of importing wine is accordingly limited to 59 ports of the United Kingdom; and the wine trade is subject to another restriction respecting the ports at which wine can be tested for duty, of which there are only 11 (called "testing ports") in the kingdom. The importation of tobacco, again, is limited to 35 of the 133 authorised ports; and we need hardly observe with respect to both this limitation and that to the importation of wine, that restraints on importation are virtually restraints upon export trade in return.

The system of bonding goods subject to duty, and thereby .postponing the payment of duty while the goods remain in the "Bonded Warehouse," occasions—although intended to liberate capital and mitigate the burden of the duty on the consumer—a further interference with and restriction to its natural progress. By the "Customs Consolidation Act, 1853," the Commissioners of the Treasury "may by their warrants from time to time appoint the ports in the United Kingdom which shall be warehousing ports; and subject to their directions the commissioners of customs may by their order from time to time approve and appoint warehouses or places of security in such ports, and direct in what different parts or divisions of such warehouses or places, and in what manner any goods and what sort of goods may and may only be warehoused, kept, and secured without payment of duty upon the first entry thereof, or for exportation only in cases where the same may be prohibited to be imported for home use." But inasmuch as on one hand the Board of Customs seeks to keep down the cost of supervision, and on the other hand the traders concerned are not always in a position to provide premises in accordance with the official regulations as to situation, &c., and suitable in other respects,

a system intended as a relief is to some ports a positive evil, placing them at a disadvantage relatively to other ports.

Thus as regards direct foreign trade, exportation and importation by sea, the coast of the United Kingdom—including in the term, as for brevity we may sometimes do, the banks of navigable rivers—is divisible under the regulations which the Custom House involves into three classes of places:—

1. Those at which no importation or exportation of goods, dutiable or free, is permitted to take place.

2. Places which, although free to import and export goods in general, are under special restrictions or disabilities; as for example with respect to the importation of wine or tobacco, or the bonding of dutiable goods, or the testing of wine for duty.

3. Places which are authorised to import and export goods of all kinds, and are also both warehousing and testing ports. We shall presently see, however, that even this last class of specially privileged places are far from possessing complete freedom of trade.

Now an unanswerable objection to this limitation by the State of the places at which foreign trade is to be carried on ought to present itself at once to the mind of every economist; namely, that only natural conditions—local aptitudes and opportunities, local experience and enterprise, collective and individual—can properly determine the sites of foreign as of domestic trade. Examine the coast of the United Kingdom—survey all its creeks, inlets, and natural or possible harbours—follow the course of its navigable rivers, and judge how many must be the places at which natural capacities for trade have been frustrated by the ordinances of the Custom House. Were it even the policy and aim of the Custom House to give every place on the coast the privileges of a port which has any natural aptitude for it, it would nevertheless be an insurmountable objection that government officials are incapable of defining beforehand the places at which commerce can be advantageously carried on. The functionaries on whom the power of selection

devolves are in truth specially unfitted for its exercise. Not only they are not omnipresent, and therefore cannot be acquainted with the circumstances and capacities of every locality, but their dominant object moreover is the antagonistic one of confining the external trade of the country to certain points, in order to keep down the cost of collecting the duties with which it is saddled. But not even the inhabitants on the spot are competent to determine beforehand the commercial capacities of a place. Who, looking at the natural obstacles to navigation in the Mersey, could have predicted the magnitude of the foreign commerce of Liverpool? The Commissioners of Customs have often resisted local applications for the privileges of a port; but the fact that no application has been made from a place is no proof that no loss is sustained through the want of them. Events and conditions altogether unlooked for, often quite inconceivable beforehand, may suddenly adapt a place for a commerce which would come into being if there were only commercial liberty. The conditions which adapt places to become ports of foreign trade are subject to change. The genius or enterprise of a single individual, the deepening of a harbour or a river, a change in the sites of trade abroad, or in the paths of internal communication at home, the opening of a mine, or a new branch of manufacture, may suddenly give to a spot of which the Lords of the Treasury and the Commissioners of Customs never heard a capacity for external trade. On the other hand, the fact of not having the rights and privileges of a port may be the cause that a place seems unfit to become one—may be the cause, for example, of its having no harbour, or no navigable channel of sufficient depth to the sea, or no mercantile population; and may have diverted from it the currents of trade.

What at this day would be the wealth and industry of Lancashire and Yorkshire, had government commissioners presided from the first over the sites of manufacture and internal trade, and limited both to such spots as seemed to them to give promise of con-

siderable growth? How many inland hamlets and once utterly desolate places have grown into great and busy cities, which would have remained in their primitive lifelessness, had their apparent inaptitude for rapid industrial growth, in the eyes of a Board of Commissioners of Taxes, determined their career! The Commissioners of Customs are accustomed to reply to memorials for privileges of importation and warehousing, that the places from which they proceed have but little foreign commerce and no considerable consumption of dutiable commodities; as though their own restrictions might not be the cause of that state of things; as though this were not an age of progress in which places may suddenly rise from obscurity to opulence and eminence; and as though the foreign trade of any place could be great at the beginning. In the early stages of a country's commercial career its foreign trade is apt to concentrate itself in a few comparatively populous places with peculiar natural facilities for both external and internal communication. But in proportion as new methods of transit, new conditions of progress of various kinds, the movement and extension of commerce, and the spirit of modern enterprise tend to develop commercial capabilities in once neglected and backward places, restrictions which confine business to its old sites become more and more injurious and oppressive. The bent of the industrial movement of our time is to discover and turn to account the capacities for production and trade of every locality, whatever they may be, by opening up markets for their produce through the freedom of trade, and direct means of locomotion. To this tendency the restrictions of which we speak are in direct opposition. They are the antithesis to railways, steam navigation, and free trade. In this or that particular place, or even in many places, the commercial results of entire freedom of development might be small; but the aggregate results taken together would be immense. And the loss consequent on the want of such liberty is the aggregate loss in all the cases taken together. It is the parable of the

sower. Some seeds might fall on places where there was no depth of earth, some even among thorns; but other seed would fall on good ground and bring forth fruit a hundredfold. The appointment from time to time of new ports, the concession of new privileges of importation and warehousing to established ports, are practical admissions which the Board of Customs is driven to make of the mischief of its pre-existing restrictions, but do not cure the evil. They do not cancel the injury to other places still subject to similar restraints; they do not even restore to the newly emancipated places all the natural conditions of progress, and a slow and feeble development may be the result of former obstructions diverting the streams of traffic and enterprise and the lines of locomotion from their natural course. Our own Government might in this matter derive a lesson from some admonitions recently addressed by a great English journal to the Italian Government respecting the Port of Brindisi:—"They do not consider that at this moment English traffic is looking out for other channels remote from that route; that by the time Brindisi is ready other communications may be planned; that any opportunity now neglected may be for ever lost; that commerce loves beaten tracks and ready-made thoroughfares; and that above all things it is not easily won back to routes from which it has been diverted, and where it has met with trammels and obstacles."*

And as a single step forward in the commercial career of a place, however small in itself, may be the first link in a long chain of succeeding advances, so the deprivation of one means of development may entail the loss of many more. The inability to import wine and tobacco because of a Custom House prohibition, or tea sugar and other dutiable commodities for want of an authorised and suitable bonding warehouse, may involve the eventual loss of a great export trade, and of the industry and wealth that might grow around it. Nor is

* The *Times*, Oct. 26, 1871.

the consequent loss to be measured simply by the loss to the place itself, which may be the natural outlet for the productions of a wide district, and the natural inlet for new ideas and enterprises which might transform the whole surrounding neighbourhood.

To exemplify these general principles by particular facts, let us take two instances of a class where the harm done by the restrictions in question may be assumed to be least—namely, places which have the position rather of inland towns than of maritime ports, and which are connected by both river and railway with great and not distant ports. Manchester is a town of this class. Closely connected both by the Mersey and by railway with Liverpool, it might appear that Manchester could have nothing to gain by the power of direct importation, nothing to lose by the want of it. In 1862, however, after much opposition, Manchester was admitted to the title and privileges of a Port. No direct importation, it is needless to say, would have followed, were it other than profitable; and, as the long monopoly of the whole foreign trade of the Mersey by Liverpool must have some persistent effect, the direct imports of Manchester are, it is reasonable to suppose, less than they would naturally be. Yet only seven years after the power of direct importation had been conceded, Mr. William Gibb (to whose exertions both that concession, and the Inland Bonding Act, which gave Manchester a bonded warehouse, are principally due) was able to state in a published letter to Mr. Gladstone, then Chancellor of the Exchequer: "There are now in Manchester 450 merchants transacting customs business, being as large a number as can be found in one-fifth of the smaller ports added together. The amount of customs duty collected in Manchester for the year ended 31st December last places it eighth in the list of amounts collected in England; there being only seven ports which collect more, and seventy which collect less." Later evidence is afforded by the statistics of the trade in two articles, wine and spirits. A circular of the Manchester Bonding Warehouse Company, issued February 1, 1871, states:

"The total number of gallons of wine and spirits warehoused during the year ended 31st December last amounted to 320,896 gallons, against 254,569 gallons during the previous year. This large increase is chiefly to be attributed to the number of individuals and firms who have become importers of these supplies from France, Spain, and Portugal. The progress in the direct importation of these articles proves that Manchester is taking its place as a market for goods directly imported. The number of individuals who import direct is upwards of sixty."

Another instance in point is that of Worcester, situated on the Severn, and connected by both railway and water communication with Bristol, and also with the intervening Port of Gloucester. In 1860 a memorial was presented to the Treasury by the Worcester Chamber of Commerce showing that the Severn was actually navigated by sea-going ships of 160 tons twelve miles above Worcester bridge; that the city of Worcester was the centre of a system of railway communication between the mining and agricultural districts of South Wales and Herefordshire and the iron and coal-fields of Staffordshire and the metropolis; and that the neighbouring town of Droitwich was the seat of a great trade in salt, whence vessels bringing cargoes to Worcester might return laden with salt. The memorialists themselves ventured to seek no more than the concession of a bonded warehouse, pointing to the needless cost and risk incurred in depositing goods in bond in Gloucester and more distant ports, and removing them from it; but they were not without advocates who urged that all the privileges of a port should be not only conferred on Worcester, but extended to all inland towns situated on rivers navigable by sea-going vessels.* Even the memorial of the Chamber of Commerce, however, for a local warehouse was rejected by the Board of Customs, to which it had been referred by the Treasury, on two

* See the paper on the subject read in 1861 before the Social Science Association by Mr. Clark, Secretary to the Worcester Chamber of Commerce.

alleged grounds; first, that the trade of Worcester was not sufficient to justify the extra cost to the Revenue of a bonding warehouse, and secondly that the transit of goods subject to duty between the banks of a narrow river would give occasion to smuggling and trouble to the Custom House. To this it was forcibly replied, on behalf of Worcester, that "the first objection had been completely demolished by statistics collected by the Worcester Chamber of Commerce; but moreover nothing could be more unfair than to argue the point in reference to the city of Worcester alone, when in fact a wide area of country and many important interests would be benefited by the free navigation of the Severn. The second objection was untenable, because it was opposed to the great principle that every district of a country should be left free to develop in the best way it could the resources which Providence placed at its command, and that the application of the capital and energy of its inhabitants should not be checked by governmental interference. A town which had the means of communication with the sea had the right to use it without hindrance, and no artificial system like that of the customs duties could be pleaded as a reason for the deprivation of that right."*

The argument of the Custom House, it may be added, was in the spirit of Macbeth's policy: "Things bad begun make strong themselves by ill." The trade of Worcester is first restricted by Custom House regulation, and then a restricted trade is made the justification of the restriction. The Custom House duties create smuggling, and the smuggling is made the justication of Custom House prohibitions of lawful trade. Lately indeed, under the provisions of the "Customs and Excise Warehousing Act, 1869," the limited privilege of a bonded warehouse for wines and spirits has been conceded to Worcester. And recent local statistics of the subsequent increase of trade in these two articles afford evidence that the general trade of the

* Speech of Mr. G. W. Hastings, *Transactions of the Social Science Association*, 1861.

city might have become much more important than it is but for the disadvantages and restraints under which the regulations of the Custom House have placed it.

An unnatural distribution of trade, both internal and foreign, must be the consequence of government officials ordaining that here and there only shall maritime commerce be carried on, commanding that rivers shall flow to the sea in vain, and saying to the sea itself: "Hitherto shalt thou come and no further." Other causes, for which also the State is responsible, have contributed to disturb the territorial division of labour, and to make the metropolis, for example, engross an undue proportion of the trade and population of the kingdom; but one cause undoubtedly has been the policy of the Custom House, seeking to compress the foreign trade of the country within the compass most convenient for the collection of the duty, and to keep it as much as possible under the eye and hand, as it were, of the Board. An instance of this centralising policy (which we refer to as indicative of the mischief of which even the slightest official interference with the natural course of commerce may be productive) presents itself with respect to the testing of wine for duty and the appointment for the purpose of special testing ports. By the "Customs Tariff Amendment Act, 1860," wine became chargeable with duty according to the quantity of spirit contained in it; and the Commissioners of Customs made Dublin the sole port for testing the spirit in wines imported into Irish ports, for which purpose samples were to be sent to Dublin from all the other ports of the island permitted to import wine. This arrangement might well appear to other than parties practically concerned one wholly innocuous; but it soon led to memorials from wine merchants in Belfast to the Board of Customs, praying that Belfast might be made a testing port, on account of inconvenience and loss to the local wine trade. Days were shown to be lost in getting samples tested in Dublin, and two firms stated that it was within their own knowledge that a large trade formerly done in the

direct importation of a particular class of wines from Spain might be revived were the town made a testing port, but not otherwise. The reply of the Board of Customs was that in the first place, uniformity in the application of the test could only be secured by limiting as much as possible the number of testing ports; and in the second place, were the privilege conceded to Belfast, it could not fairly be withheld from Cork and other ports, and the increase of cost would be considerable; thirdly, that testing in Belfast itself would cause some additional expense; fourthly, that the Commissioners were unable to see how the appointment of Belfast as a testing port could give an impetus to its export trade, as some of its merchants were of opinion; and, lastly, that no other port in Ireland had made complaint on the subject. The answer merits attention as an exposition of Custom House policy and principles. Are all the ports of the United Kingdom to be exposed to possible inconvenience and loss to preserve uniformity in Custom House practice, or for the chance of a trifling economy in the collection of duty? Are commissioners sitting in London better judges of the conditions necessary for the successful prosecution of every branch of trade in every port of the kingdom than the merchants themselves locally engaged in it? Are the merchants of one port to suffer trouble and loss because the merchants of other ports are not sufferers to the same extent, or are silent or inactive about it? "Where no oxen are the crib is clean." The busier, the more enterprising, and the more intelligent the merchants of any place, the greater is the value of time to them; the more they will suffer from obstruction and delay, and the more sensible they will be of the injury of official interference. Human progress does not spring from prescience and progressiveness on the part either of mankind at large or of their legislators; it is the individuals here and there who see what others do not see, and who can make of time what others cannot make, who keep up the movement of the world. Let us add that the Board of Customs has given a practical

refutation to its own arguments by quietly appointing Belfast last year to be a testing port; though, as if to prevent applications from other ports, the name of Belfast has not yet appeared in the list of testing ports in the ordinary books of reference on such points.

But we have noticed the regulations connected with the testing of wine only as an example of the evil which the Custom House system, even in its smallest details, may occasion. Another instance will be found in connection with the warehousing system, "The object of the warehousing system," in the language of one of Mr. Gladstone's financial statements, "is to enable the importers of goods to obtain two most important advantages; one, the postponement of the payment of duties, and the other that they may retain for themselves the option up to the latest moment between entering the goods for home consumption and dispatching them for a foreign market. The system," he added, "is one of immense advantage, and is vitally incorporated with the course of British trade." But if this system is one of such immense advantage, if the postponement of the payment of duty is of such importance as to be a vital element in British trade, it must surely be no inconsiderable disadvantage to the trade of a port to have no such privilege. No small number of ports are either without any bonded warehouse, or without one for the reception of certain commodities. It is not at every port that the traders who may desire to postpone the payment of duty can provide premises in the prescribed situation at once suitable to their own business and to the Custom House regulations.* The cost to the revenue of providing the requisite staff, moreover, disposes the authorities to limit the privilege. A considerable number, accordingly, of the ports of the United Kingdom, appointed as such, have either no bonding premises, or none in which tea or tobacco can

* By a general order of the Board of Customs, "The situation of all bonded warehouses, vaults, &c., is not to exceed 1,000 yards from the Custom House, or from the usual place of landing, nor must there be any private communication with them whatever."

be warehoused. "As tea on importation when bonded is required to be placed in a warehouse or floor specially set apart for its reception, the importation of that article is in practice confined to London and those outports which possess approved premises."* The Customs manual, from which we take the foregoing sentence, gives a list of all the warehousing ports of the United Kingdom, of which no fewer than eighty-six are marked as having "no separate premises for tea." It is true that the vessels engaged in the tea trade are large, and can enter only large ports; but the accommodation which London alone is enabled to provide for warehousing enormous stores of tea in bond is in part the cause of the concentration of the tea trade in London; and in this, as in other ways, the Custom House tends to disturb the natural distribution of trade, and to create a monopoly for the metropolis. The natural economy of trade tends to allocate each of its departments to the places with the greatest natural advantages for it; but the superiority of London as a warehousing port is an artificial creation of the Custom House.

So far our view has been confined to the effect of the Custom House system on places communicating with the sea which either are altogether excluded from the use of that external advantage, or are subjected to special restrictions or disabilities with respect to importation. But even the places especially favoured by the Custom House, possessing the fullest privileges of warehousing and testing ports, are subject to regulations which occasion incalculable waste, trouble, and loss in the mass. Goods, for example, must be landed not at the place most convenient for the merchant or his customers, but at the spot, however confined, overcrowded, and inconvenient, which official regulations prescribe; nor can any part of the cargo be removed before the completion of the searches and entries required by the Custom House on whose hours time and tide do not wait. A ship and

* Olver's "Imperial Tariff, 1871."

her cargo may be lost in the Mersey before the routine of the Custom House will admit her to the docks; and if docked in time, she may be detained at great loss in the docks because some unavoidable accident prevents the completion of the requisite entries in the Custom House books. Both space and time in the neighbourhood of the Liverpool wharves are precious; yet every cargo of brandy from Charente or Nantes must remain for weeks in the transit shed undergoing Custom House operations, however urgent the demand for the reception and despatch of other cargoes. "Coffee is imported in casks and bags. The casks sometimes differ considerably in weight, and because of this difference every cask is emptied of its coffee, and has the honour of being singly weighed, in order that the tare may be accurately ascertained, and the Custom House quite assured that it gets its full due. The duty on coffee being per pound, and there being a difference, perhaps, of ten or twenty pounds between the weight of one particular cask and the average of half-a-dozen of its companions, there may be a saving of half-a-crown to the revenue occasionally, but at what cost of time, pay of extra porterage and weighing, and expense of other casks to receive the coffee which cannot be or at least is not packed in the same cask again!"*

Rapid despatch is the very life of modern trade, and the anxiety for it on the part of the merchants of London is the subject of the following complaint from the Custom House: "Notwithstanding the addition to the outdoor department, the strength of the establishment is at all times insufficient to meet the urgent demands made for despatch. The work to be done is distributed over a large area; and as long as every merchant insists on his own particular business being attended to without delay, and so great a competition exists between companies and wharfingers, it will constantly become necessary to add to the force employed,

* "Free Trade Impossible while Customs and Excise Establishments Exist."—*Publications of the Liverpool Financial Reform Association.*

and thus to involve the Crown in an expenditure which might be avoided were a little consideration shown to the wants and convenience of others." * The Commissioners who make this complaint seem to have forgotten that the increased cost which they deprecate is an incident of Custom House duties, and that the economy they desire could only be effected at yet greater cost to the public. It is moreover one of the fundamental objections to the system that its evils become greater, its restrictions and regulations more oppressive, even where the privileges accorded are greatest, in proportion as trade expands and the speed at which it must be carried on increases. In the rapid fluctuation of modern credit a trader might be ruined while the goods he might have realised at once are detained by the operations of the Custom House to prevent the evasion of a fraction of duty. As with time so space. Every spot in a great port becomes more valuable and harder to get with every year's increase of wealth, population, and business; and the difficulty of procuring the additional room for which the artificial requirements of the Custom House create a necessity, becomes a more serious evil, while the existing accommodation becomes more and more inadequate. The Customs Commissioners themselves are driven to report to the Treasury: "As the vast trade of London continues to increase, the demand for accommodation for landing, shipping, and warehousing of goods under bond, and for carrying on the various operations allowed to be performed in warehouses, increases every year. And we find it almost impossible to resist, even with the support of your lordships, the pressing applications for fresh approvals and increased privileges that pour in upon us day by day, even though by granting them additional expense is entailed on the Crown." The additional space for which their own system creates the necessity is moreover by no means always forthcoming, even when the authorities are ready to sanction its application to meet the demand; which

* Ninth Report of the Commissioners of Customs.

they are far from being ready to do in all places, because every new bonding warehouse or vault is an additional charge on the revenue. It seems, indeed, as if the bonding system must come of itself to a deadlock with the growth of business. It is likewise one of the objectionable features of that system, that as it creates unnatural inequalities between port and port in respect of warehousing privileges and accommodation, so it creates inequalities between merchant and merchant in the same warehousing port. Particular merchants, for instance, have their own bonding premises, while the rest of the trade have to resort to a crowded public store; where they have to wait their turn for accommodation, and are subject in all their operations to the surveillance of their rivals in business. Again, the warehouse in one case is close to the trader's own stores, in another it is at a distance involving considerable cost in carriage and time. And to all who have to resort to a common warehouse the inconvenience becomes more serious as the trade of the place increases on one hand, and the necessity for swift dispatch grows more urgent on the other.*

* A merchant of Belfast, writing to the author on the subject, states:—"The Customs and Excise departments here do not give the facilities and accommodation that are necessary for the proper and speedy dispatch of business. Take the article of whisky. Since facilities have been given to vat and blend as well as rack whisky, the trade in Irish whisky at this port has become one of some considerable importance. A large proportion of all sent from here, as well as that used in the neighbourhood, must be put through one or other of these processes. To provide for this new feature in the trade, considerably more room and accommodation are requisite than were necessary in the old state of the business, and larger stocks must be held to give the spirit the necessary age. Four firms in the trade have the good fortune to hold stores with licenses to bond in them. The public bonded stores for whisky are three—one in the Customs Vaults, which will not admit the erection of a vat; another, quite unfit to be used as a bonded store for any kind of wet goods. The third is a good store, but overcrowded. It is composed of an Excise and a Customs department, and here nearly all the dealers in the town, not having bonded stores of their own, are storing, and must wait their turn for the use of the vats, nor are they allowed to rack or blend on the floor of the store while the vat is in use. I have had thirty-nine butts of whisky waiting their turn for ten days, and have just been informed that I may be able to proceed on the day after to-morrow. But I have further twenty-four butts waiting to succeed, and more behind. When I shall be able to get through all I am puzzled to say. Then there are heavy charges for the use of the vat, porterage, &c.; and the business must be got through in a store so crowded as to be most inconvenient; subject also throughout to the inspection of other traders."

But the mischiefs of the Custom House do not stop at the coast; they follow the trade of the country into the interior. They necessitate excise duties on the domestic production of all possible substitutes for the articles on which import duties are levied; but of this we must speak again. We refer here to the system of bonding. Mr. Gladstone's statement has already been cited respecting the great advantages which that system is meant to secure. At first no provision was made to secure them to inland towns. But if traders in inland towns cannot bond goods subject to duty, either they must prepay the duty on goods which may be destroyed by an accident, or which they may afterwards sell at a sacrifice; or they must leave them in bond at the port, getting them out only as they are wanted for immediate sale. In the former case, the inland trader is exposed to special risk, and the long advance of the duty both hurts his customers and places him at a disadvantage in competition with the prices of the warehousing port. In the latter case his goods may be tampered with after he has brought them in bond; he can sell only by sample; he may be short of supplies at the moment at which they are wanted; and may have to wait several days before his stock can be replenished, when his customers may have gone elsewhere, or the occasion for an unusual demand may have gone by. Under these circumstances some trades could not be carried on unless at a disadvantage in many inland towns. Hence Mr. Gladstone stated in his financial statement, 1860: "The great inland towns of this country have been for some time more or less disposed to complain that they are excluded from the facilities given to what are in some cases little more than mere hamlets, in many cases places of no great importance as measured by trade or population, if they chance to be ports." To remedy this inequality, a system of inland bonding was introduced in the case of towns seeking the privilege, whose consumption of bonded goods is considerable, and which can provide suitable warehousing premises. The dealers in such

inland bonding towns have their goods under their own eye; they can sell them by bulk, instead of by sample, which is often unsatisfactory; they are saved the expense of employing a broker to clear them from bond in a distant port; and they can take them at once from the warehouse into their own stocks instead of waiting for days. One result of the system is noticed in a Report of the Inland Revenue Commissioners as follows: "One of the most striking consequences of the concession made in the Act 11 and 12 Vict. c., 122, permitting spirits to be warehoused, was the establishment of a new and large trade in the exportation of rectified and compound spirits to the colonies and foreign countries, and the development of a trade which was formerly inconsiderable in the exportation of plain spirit."

But the cost to the revenue of establishing a bonding warehouse in every inland town and village would be intolerable; nor have the traders interested suitable premises to offer for the purpose in every locality. Hence Mr. Gladstone added in 1860 to the observations already quoted: "Of course I do not mean to say that the warehousing system can be applied to every town or even to every considerable town in the country. The Government will have to consider carefully the sufficiency of the accommodation which may be provided, the amount of trade and population, and the probable results to the revenue." The great majority of the inland towns of the kingdom accordingly remain exposed to all their previous disadvantages; and an inequality between their position and that of the warehousing ports—and in like manner between inland bonding towns and unprivileged towns—is created; one obviously tending to disturb the natural division of labour, and the natural location of population, consumption, and trade. The authorities too, in considering the claim of an inland town for a bonded warehouse, not only cannot take into account its possible future development, where its actual trade and consumption of bonded goods are insufficient to justify the cost of allowing the claim, but cannot even decide the matter with reference to the immediate merits and

urgency of the case. They must take into account the difficulty that might arise of refusing similar concessions to a number of other towns. A few years ago the Chamber of Commerce of Leicester made an application to the Treasury, urging on behalf of the manufactures and trade of that town the need of a local warehouse where teas, wines, and tobacco might be bonded for the convenience of dealers and their customers, which under existing circumstances had to be kept in London, Liverpool, and other distant places; therefore not available when required. The Treasury rejected the application, observing: "Having regard to the expense which would be caused to the Customs Department by a compliance with the present request, which would be followed by other similar applications from towns in the interior of the country which stood in the same position as the town of Leicester, my Lords are not prepared to approve of a bonding warehouse in that town." The refusal has been persisted in; and the Secretary of the Leicester Chamber of Commerce, in a communication to the writer (7th August, 1871), states: "The absence of a bonding-warehouse in Leicester is a considerable disadvantage to some of the traders here, notably the tea and wine merchants, and those engaged in the tobacco manufacture, on whose behalf an application was made by the Chamber in 1868 for the establishment of a bonding warehouse."

The inland towns in which bonded warehouses have been established are, in fact, exceedingly few. In some, the traders interested are not influential, or can provide no suitable premises; in others, population, trade, and consumption of dutiable goods are below the required standard.

It is remarkable that Birmingham has no bonding warehouse. That great city has better communication by railway with all other parts of the kingdom than any other place possesses, and London bonds for Birmingham. But even with peculiar facilities of obtaining supplies from the metropolis rapidly as they are wanted, Birmingham dealers in groceries, wine, spirits, and tobacco,

must be under a disadvantage relatively to their fellows in London.

At best the system of bonding, even where it is suffered to exist, is a mere palliative, leaving all the evils of the customs, other than the advance of the duties, untouched; and being incapable of universal and equal application, it introduces new evils. We saw how the Custom House disturbs at the coast the natural division of labour by restriction of importation and exportation to particular ports; and it has undoubtedly disturbed also the course of inland trade by the system of bonding. That system contributes, along with the artificial restraint of direct foreign trade, to that disproportionate and unhealthy concentration of the trade and population of the kingdom in the capital, to which reference has been already made, and to which we shall have occasion again to refer in connection with another branch of financial reform.

An inevitable consequence of customs duties is to involve the State in a series of dilemmas, with only a choice of great evils. It must either grant unrestricted liberty of importation and exportation to every spot on the coast and along the rivers of the kingdom, thereby entailing an enormous army of tax-collectors and intolerable cost of collection, or it must limit direct foreign trade to selected places, thereby disturbing the natural order of things, and obstructing the development of numerous localities. It must either exact immediate payment of the duties on importation, thereby wasting capital, harassing merchants, and mulcting consumers; or it must establish the system of bonding, and encounter a fresh dilemma between covering the kingdom with warehouses and customs officials, or confining the advantages of bonding unfairly to particular places. It must extend the duty on any particular import to all its possible substitutes, thereby incurring heavy cost in collecting unproductive imposts — on articles of which the main uses, moreover, may not be those which it was intended to tax; or else the tax

must be confined to the principal import, in which case it may be evaded by substitutes, thereby depriving the public of the best article without profit to the State. So long as the one shilling duty on foreign corn was retained, there were, in the words of the present Chancellor of the Exchequer, "a large number of collateral duties on articles like tapioca, arrowroot, sago, flour, meal, and so on; all kept on the tariff for the purpose of acting as outworks and bulwarks to protect this particular duty." In like manner the duty on sugar involves a number of subsidiary duties, the productiveness of which may be judged from the following statistics presented in a memorial of the Liverpool Chamber of Commerce to the Chancellor of the Exchequer in 1869, urging that "there remain on the tariff a number of articles which yield amounts so excessively small that they cannot pay the cost of collection, while inflicting injury on the commerce of the country:"—

"GROSS PRODUCE OF CUSTOMS DUTIES, 1868.

Sugar	£6,596,284.
Succades and Confectionery	3,334.
Cherries	3.
Almond Paste	0.
Marmalade	5.
Preserved Milk	0."

Again, the duty on tea entails duties on coffee, cocoa, and chocolate; the duty on coffee a duty on chicory; and the duty on chicory a duty on "any other vegetable matter applicable to the uses of chicory." Of all these duties only those on tea and coffee repay the cost of collection; and the duty on coffee yields but a small revenue to the State, while it banishes from general consumption a refreshing drink which might have largely superseded the use of intoxicating liquors, as it has with the poorer classes on the Continent.

Another dilemma presents itself as to the mode of assessment of duty on imports. Is it to be an *ad valorem* duty, or a uniform duty on all qualities of the com-

modity? British finance anomalously resorts to both methods; the principle of a uniform duty being adopted in the case of tea, tobacco, and wine, for example; while a rude attempt at an assessment according to value is applied to different classes of sugar. Not a word need be said on the inequality of taxing alike the consumption and therefore the consumers of the finest and lowest descriptions of tea; or of charging the same duty on the best claret or champagne the millionaire can import as on *vin ordinaire*, the natural price of which would be fourpence or fivepence a bottle. In the case of tobacco the existing duty has been calculated at 25 per cent. on the price of the finest cigars, and 500 per cent. on that of the poor man's pipe. The only apology offered for such unequal taxation of poor and rich is that the difficulties attending the alternative plan of assessment according to value are not to be surmounted. In the case of wine, for instance, Mr. Gladstone has said: "Another plan would be to fix a duty of several rates on wine of different values, somewhat resembling the duty on different descriptions of sugar. But if such a plan is attended with difficulty in the case of sugar, with how much greater difficulty would it not be attended in that of wine? The Revenue Department would have the greatest difficulty in carrying out such a system."

The choice of evils which the taxation of sugar entails on the financier throws so much light on customs duties that we will ask the reader's attention to it in some detail. A select committee of the House of Commons in 1862 "appointed to inquire into the operations of the sugar duties, with especial reference to the assessment upon a classification according to the quality of the sugar," pronounced in its first resolution: "That the amount of revenue now derived from sugar could not with justice to the consumers of the lower classes of sugar be raised by a uniform duty" — a resolution which virtually condemns the actual duties on wine, tea, and tobacco. A uniform duty on sugar would, moreover, be a ruinous impost on the home manufacture and refining of sugar. The home manu-

facturers would pay before the first stage of their processes the same duty on the raw material as their foreign rivals' sugar would pay after the last stage; and while the latter would encounter only the duty, the former would be mulcted of profit on a long advance of the duty. Turn then to the alternative plan of taxing sugar as nearly as possible *ad valorem.* Without attempting so hopeless a task as that of adjusting the duty to every variation of value, the Custom House endeavours to arrange sugars of different quality in classes, with a scale of descending duties as the quality of the class descends. We have Mr. Gladstone's confession that the scale must be unequal in its practical operation: "Of course, like all classifications for the purpose of custom duty, our scale is unequal to a certain extent. It appears to bear with no inconsiderable hardship on the qualities of sugar which happen to come near the dividing line, and in the neighbourhood of those points the difference absorbs, or more than absorbs, the difference in price." But this leads to a violation of established financial principle just the reverse of that which a uniform duty would cause. A uniform duty, as we saw, would involve a special tax on the home manufacture of sugar; the varying scale of duties on the contrary operates as a penalty on the foreign exportation of the better descriptions of sugar and a protection to home manufacture. "We do not know," a colonial producer stated to the select committee in 1862, "what duty we are to pay; we are obliged to make an inferior quality of sugar, so as to escape the high duty; we have often sent home sugar that has been charged the high duty, and which did not fetch a high price, and in some cases it fetched a lower price than what had paid a higher duty." The Custom House standards, or samples of the different classes of sugar to which different duties are attached, change, when sent out for the guidance of the colonial or foreign producer, and become deceptive.* Even in England, no such

* Mr. Nelson, a partner in the firm of Crawford, Colvin, & Co., East India agents and merchants, stated to the Committee on Sugar Duties:—

classification as the Custom House aims at, and the law directs, can be perfectly carried out. We have the direct testimony on this point, before the Committee on Sugar Duties, of the Chairman of the Board of Customs (Sir Thos. Fremantle):—

"103. Does not the judgment of the officers differ very much upon the same sugar, or that of different officers?—Yes; no doubt it is a very nice operation; I cannot say that they can bring it to mathematical precision.

"106. Do you think that the eyes of the officers may vary much in the inspecting of the sugar?—Quite so.

"107. Would not a uniform duty save both trouble and expense?—It would . . . So far as the department is concerned, a uniform duty would be very desirable and more satisfactory.

"108. The shades of distinction being so minute, is it not possible that an officer might conscientiously assess the duty at one time and place at one rate, and at another time and place at another rate?—I should hardly think the same officer would do so if he were an experienced officer; no doubt, we admit, that the appearance of sugar is affected by the day and the atmosphere; if it is a very bright day or a very dull day sugar has a different appearance. I do not wish to disguise from the committee that it is a very difficult operation to assess sugar."*

"641. Do you use the English customs standards in India to work with?—We did try to use them some time ago, but we found the use of them impracticable.

"642. Why is it impracticable?—Because they always arrive out in India in a condition unfit for any comparison with the sugar we have there.

"643. Do you consider that it would be possible for the Custom House here to place in the hands of any authorities in India specimens of the standard samples which could fairly represent the originals?—Certainly not. The lower qualities always arrive in bad order, and the whole of the samples after a week or ten days are quite unfit for the purposes of comparison.

"647. What are the difficulties which you have found?—We cannot keep standards of sugar or qualities of sugar in India which will faithfully represent the line of demarcation made by the duties in this country; if in this country the standards will not keep very long, of course in a damp climate like India they are very soon worthless."

* Report of Select Committee on Sugar Duties, 1862. Sir T. Fremantle added on the subject: "I should state to the committee that by Act of

It is almost needless to say that the uniform method of selecting samples of sugar for duty, which has recently been adopted at the different ports, does hardly anything towards the removal of the difficulty shown in the foregoing evidence.

Colonial and foreign producers find from the uncertainty of the duty that the only safe course is to export the lowest qualities of sugar to the English market. Free trade in sugar is thus impossible under the duties; and the system adopted leads further to great waste both on the production and the exportation of the inferior sugars which it becomes the interest of colonial and foreign producers to send to the English market. Whenever a low description of sugar is made, a certain quantity of the good sugar which existed in the cane is destroyed; and the loss in this manner on the manufacture of brown sugar or Muscovado has been estimated at from 15 to 30 per cent. To this is to be added the waste from drainage on the voyage, which on low kinds of sugar from India has been estimated at from 10 to 20 per cent.; whereas on the fine class of sugars there is no appreciable loss by drainage.

It should be noticed too, as a characteristic of both customs and excise duties of which we shall find other examples, that many of the difficulties attending their assessment become greater as industrial art advances. So long as all sugar was produced by very rude methods, little difference in quality was the result, and a uniform duty could be applied. But with the improvement of the processes of production, the degrees of difference in quality become more numerous; and while a uniform assessment becomes more and more unequal, an assessment according to quality on the other hand becomes

Parliament we are bound to charge the duty with reference to colour, grain, and saccharine matter, and we must be satisfied that any particular description of sugar is equal to the standard in the aggregate of those three qualities. As the saccharine matter was very difficult to ascertain, we tried an instrument called the saccharometer; it has gone very much into disuse since, because it was not very satisfactory, and the officers are obliged to ascertain the saccharine quality from their general knowledge of sugars. I believe that in some disputed cases they endeavour to strengthen their opinion by ascertaining the price of the sugar."

more difficult and uncertain as the shades of distinction become finer and more numerous. "In old times," said Mr. Gladstone in his financial statement of 1862, "when we were wholly dependent on West Indian sugar, the modes of production were somewhat rude and nearly uniform; and the range of difference in the intrinsic value of that colonial sugar was not very great. There were of course differences, but they were on the whole within moderate limits. It was then found practicable to levy one single rate of duty on all descriptions of unrefined sugar, and one other rate of duty on sugar when refined. But as soon as a free trade in sugar was established, and when a stimulus had been given to the introduction in various places of improved methods, it soon came about that we had to deal with every possible value of unrefined sugar." In 1846 accordingly it was found necessary to have two rates of duty on unrefined sugar; in 1853 Mr. Gladstone established a threefold classification of such sugars with three rates of duty; and we have now five classes of unrefined sugar with corresponding rates of duty, descending from 5s. 8d. on the first class to 1s. 9d. on the fifth.

Excise Duties.

The evils of the Custom House do not end with the prohibitions and restrictions necessary to prevent the importation of commodities without payment of duty. Taxes on the productions of foreign countries lead in the first place to the maintenance in those countries of taxes on the produce of Great Britain, a subject to which we shall have to refer again. They necessitate further either the absolute prohibition of the production at home of the articles taxed, and of all possible substitutes for them, or a system of excise taxation, accompanied with an amount of official interference and control as little compatible with received ideas of British industrial liberty as the ordinances of the Custom House have been seen to be. As the Custom House absolutely prohibits exportation and

importation unless at appointed places, so the Excise Department prohibits the cultivation of tobacco in the United Kingdom; forbids farmers to steep grain "save on the farm on which it is to be consumed, and a quarter of a mile at least from any malt-house or kiln;" disallows the manufacture of sugar unless on the same premises through every stage of the processes; denies to the brewer the use of sugar unless in a solid form; prescribes the course of manufacture minutely in certain industries, with heavy penalties for the smallest deviation from regulations which are sometimes grossly wasteful and always obstructive; and peremptorily interdicts improvements and inventions where it thinks proper. The absolute prohibition of the growth of tobacco in the kingdom is founded on the assumption that home-grown tobacco paying an equal duty could not compete with foreign, and could only succeed by evasion of the tax. But not to speak of the infraction of the liberty of cultivation involved in the interdict, how is the financier to determine what the soil of the country may be made to produce, or to foretell all the possible achievements of agricultural art? To what lengths might not the obstructions to progress be carried on such a principle? The prohibition of the manufacture of beet sugar in this country was actually urged on the same principle by Mr. Macculloch. "As the preservation," he said, "of the revenue from sugar is of infinitely more importance than the introduction of this spurious business, sound policy would seem to dictate that the precedent in the case of tobacco should be followed, and that the beetroot sugar manufacture should be abolished."

The system of control which excise duties involve in the case of productions subject to them is scarcely a smaller violation of industrial freedom than absolute prohibition. "It was hateful to me when I was under the excise"—said a witness before the Select Committee on Sugar Duties—"in fact, to go under that system again would be the most horrible thing that could befall me." The excise authorities are obliged to act on the

presumption that the producer will defraud the revenue if he can, and to adapt the surveillance and regulations to which he is subject to that presumption. "It might be removed in pipes," said Sir Thos. Fremantle, objecting, before the Sugar Duties Committee, to permit the refining of sugar in bond. "When the sugar is reduced to a state of syrup, nothing is easier than to have a pipe going across the road for instance. We must be prepared for all eventualities." Of the duty on malt the Commissioners of Inland Revenue, adopting the terms of an "Excise Officer's Manual," say: "The principle followed in levying the duty is to prescribe the course of manufacture, and to adopt such a system of checks and charges as shall ensure an account of all grain in the first two stages of the process of wetting and couching, and prevent the illegal introduction of grains at any subsequent stage. The maltster is required to give previous notice of the time when each wetting is to commence, and the officer attends to obtain an account of the corn or grain as soon as possible after it has been steeped. He then follows the operation step by step, and takes an account of the grain at uncertain times in the various stages of the process, with the view of raising a charge for the duty against the trader, and preventing the introduction of uncharged grain."*

So with the duty on spirits. "In levying the duty, the principle followed is to prescribe the course of manufacture, and to establish such a system of checks and charges as shall render it impracticable for the distiller to abstract any spirits during the process of manufacture, without the knowledge of the officers intrusted with the securing of the duty."†

The surveillance of the distiller is even stricter than that of the maltster; the exciseman knows his going out and his coming in, his uprising and his lying down; "We are rigidly surveyed"—says Mr. Menzies, of the Caledonian Distillery, in evidence before the Malt Tax

* Report of Commissioners of Inland Revenue, 1870, vol. i., p. 29.
† *Ibid.*

Committee—"we are surveyed in our steeps, couches, and floors; and from off the floors into the kilns; our survey is more strict than the maltsters'. Our kilns are kept locked." The mere surveillance of the processes is enough to prevent the improvement of a manufacture. In a communication to the present writer, Mr. Frederick Field, F.R.S., Ozokerit candle manufacturer, speaking of the late duty on soap, observes: "I can well recollect the great hindrance that the presence of the exciseman had upon its manufacture. You can well understand that it was impossible to improve any process without its becoming known to the public through the interposition of the exciseman, who of course could impart any novelty or secret to other firms he was in the habit of visiting; not to speak of the restraint arising from the constant surveillance he exercised over the minutest details of the business." But it is not only in such indirect ways that the excise regulations check improvements; they are positively prohibited in the branches of production they control. A striking example cited in Mr. Porter's "Progress of the Nation" only exemplifies in the case of an abolished duty the restrictions accompanying existing ones. "A manufacturer who, by his skilful combinations, had succeeded a few years since in making a great improvement in the quality of bottle glass was stopped in his operations by the excise officer on the plea that the articles he produced were so good in quality as not to be readily distinguished from flint glass to which a higher duty attached; the danger to the revenue being that articles made of the less costly and less highly taxed ingredients would be used instead of glass."*

The operation of the glass duty strikingly exem-

* "During all the time that an excise duty was levied on candles," the same author states, "it may be said that there was no improvement made in their quality, and it is probable that had the duty not been repealed, the regulations enforced by the revenue officers would have continued to prevent any such improvements. No sooner were the manufacturers relieved from the restraints thus imposed than their ingenuity was set to work, and each year that has since elapsed has produced one or more inventions or combinations whereby the essential good qualities of candles have been increased, and their cost relatively to their value in use diminished."

plifies a principle of the greatest importance in its bearings on all such duties, namely, that at the present day the interdependence of the industrial arts is such that the restrictions designed only to apply to the production of one commodity may arrest improvement in departments of production widely remote; a check to invention in one manufacture may prevent a long series of inventions in an indefinite number of other manufactures. For example, the duty on glass obliged this country to resort to the Continent, where the makers were free to make experiments, for many articles of the finer kinds of glass. "Among these," Mr. Porter stated, "may be mentioned glass for optical instruments, which has hitherto been almost wholly imported, because the regulations enforced by the Excise Office have prevented the carrying forward of processes necessary for its excellence." Thus the duty on glass impeded all the departments of science and art to which the telescope, the microscope, and other optical instruments are applicable; and it may be in the recollection of readers that at a meeting of the British Association which followed the abolition of the duty, an eminent astronomer stated that important discoveries in astronomy might be anticipated as a consequence. The duty on salt, in like manner, prevented the rise of the soda manufacture, with all the industrial applications of soda.* The excise duty on sugar and the regulations attending it obstruct the manufacture not only of sugar itself, but of all articles for the production of which sugar may be used, or to which improvements in the processes of sugar refining might be transferred. The design of the malt duty is only to tax the consumers of beer, but the House of Commons committee of 1862 reported: "The effect of the malt tax

* "The real natal year of the soda trade in this country in 1823, when common salt being relieved from fiscal impost, Mr. James Muspratt erected his celebrated works at Liverpool. The example of Mr. Muspratt was rapidly followed; and thus was laid in Great Britain the foundation of a manufacture of chemical products which has since become the largest and most important in the world."—*Report on Chemical Products and Processes*, by A. W. Hofman; "Reports of Juries International Exhibition, 1862;" and see Gossage's "History of the Soda Manufacture."

is to interfere with the due rotation of crops by causing wheat to be grown when barley would otherwise be sown; it prevents the farmer from cultivating his land to the greatest advantage; and it obstructs him in the use of a valuable article of food for cattle."

The malt tax again prevents improvements not only in farming as well as brewing, but also in the manufacture of sugar. A manufacturer of glucose was lately stopped in the execution of important improvements, lest the use of that species of sugar in brewing in the mode designed should lead to evasion of the malt duty. It might be supposed at first sight that the excise duty on spirits and the regulations to prevent its evasion concern only the spirit-drinker. They really affect a host of manufactures and scientific processes. The Inland Revenue Commissioners state with respect to the inadequate and precarious expedient of allowing the use of methylated spirit, duty free, in the arts, manufactures, &c. :—"The high price on duty-paid spirit in this country not only repressed scientific research but seriously interfered with trade, by compelling manufacturers to resort to cheaper and inferior substitutes for spirits, which injured the character of the goods, and in some cases made it doubtful whether manufacturers in this country could much longer compete with those of the Continent, where the duty on spirit is inconsiderable.* To meet this difficulty," they proceed, "an Act was passed in 1855, allowing the use of methylated spirit, which contains a mixture of wood naphtha with spirit of wine, rendering it unfit for drinking, duty free;" and their enumeration, as follows, of some of the uses to which methylated spirit, *faute de mieux*, was at once applied, affords a striking illustration of the endless ramifications of the effects of such duties :—"Making furniture polish, varnishes, and lacquers; dissolving gum resins for hat manufacturers; manufacturing hypersperm oil, chloroform, sulphuric, nitric, and chloric ethers, sweet spirit of nitre, fulminating powder and trans-

* Report of Commissioners of Inland Revenue, 1870, vol. i., p. 26.

parent soaps; extracting vegetable alkaloids, such as quinine, morphia, &c.; making soap liniment and extracts required in veterinary medicines; preparing goldbeaters' skins, floating mariners' compasses, and filling spirit-levels; preserving objects of natural history; in chemical and anatomical researches; and as a source of light and heat for domestic purposes in a great variety of appliances to luxury and comfort, from the spirit-lamp on the breakfast table to the singeing apparatus in the stable."* But the expedient by no means meets the difficulty even for the moment. For instance, among the uses to which its application is enumerated above, is the manufacture of transparent soap; but in fact the odour of methylated spirit has been found so disagreeable to the public as to preclude its use for that purpose.

And a formidable difficulty threatens all the uses to which methylated spirit is at present applied in the possibility of some invention by which it may be divested of its non-potable qualities. Already in 1865, in consequence of a discovery by a German chemist of a process by which naphtha might be so far purified as to be available for drinking purposes, at least in combination with flavoured compounds, it was found necessary to pass a special act rendering it liable to the ordinary duty and subject to the general spirit regulations. And discovery and stratagem have been so busy with methylated spirit that the regulations to which the Inland Revenue Department has resorted have materially diminished its use, as the Commissioners state: "Up to the year 1866 the consumption of methylated spirit had, by an almost regular progression continued to increase, rising from 218,103 gallons in 1856-7 to 1,070,897 gallons in 1865-6. The fraudulent practice of making a compound of methylated spirit, which, under the pretence of being used as a medicine, was in reality sold as a stimulant in the place of ordinary spirits, had in 1866 become an increasing practice. It was also intimately connected

* Inland Revenue Report, 1870, vol. i., p. 25.

with the application of methylated spirit to purposes for which it was never intended, though not expressly prohibited, namely, the preparations of tinctures and of medicines for internal use. It was therefore necessary to resort to legislation, and to prohibit entirely the use of methylated spirit in any preparation which could be used internally as a medicine. In addition to this prohibition, it has been found advisable to impose a legal restraint upon any alteration in the character of the compound known as 'finish,' except by the introduction of more resin or colouring matter. The effect of this legislation has been to check consumption to a considerable extent. In the year ending the 31st March, 1866, 1,070,897 gallons were used; 1867, 1,031,214; 1868, 854,844; 1869, 885,957."*

We have given instances of the endless dilemmas in which customs duties involve the State, and it is an inevitable consequence of excise duties to create similar difficulties. Thus, in the case just referred to, it is perfectly possible that invention may circumvent the duty by rendering methylated spirit potable, in which case either the revenue will be driven to withdraw an exemption from duty, absolutely necessary by its own confession for innumerable purposes; or the duty will be evaded, and the public will be put to the useless cost of a roundabout process for its evasion. There is a perpetual tendency on the one hand to the circumvention of the excise by the producer, on the other hand to an increased severity and obstructiveness of its regulations in consequence. Thus, although the use of molasses, treacle, and syrups in brewing is prohibited, the use of solid sugar has been admitted since 1847, but the Commissioners of Inland Revenue threaten to subject it to stricter regulations. "It scarcely needed," they report, "a recent discovery that false regulations have been for many years the rule at a brewery in the country to prove the defects of our system; but it at least enables us to meet any objections

* Report of Inland Revenue Commissioners, 1870, vol. i., p. 26.

to the more restrictive regulations which we must shortly promulgate, by conclusive evidence of their necessity." In the same way the fraudulent substitution of raw grain for malt has led to regulations of the most arbitrary character. "An effort to defeat this mode of defrauding the revenue was made in 1855," the commissioners state, "by the introduction of a law requiring maltsters to keep grain under process for 168 hours, in order to ensure a sufficient amount of germination to make malt readily distinguishable from unmalted grain." In warm weather the barley germinates quickly in the couch and swells; the duty increases in bulk in proportion, although the real quantity of malt obtained is the same; and the Revenue thus in effect defrauds the maltster or his customers in a manner little calculated to make "defrauding the revenue" in turn appear a grave offence. The contest of sharp practice for and against the revenue has accordingly continued. "The ingenuity of the malt roasters again baffled us. The maltster was instructed to expose the barley to considerable heat in the kiln before it was steeped; its vegetative power was thus destroyed; and at the end of the 168 hours it came forth legally malt, but quite undistinguishable from the raw grain with which it was immediately mixed by the roaster. An additional check to the use of raw grain in breweries was given by the Act requiring brewers to crush their malt with rollers instead of grinding it; the former process being sufficient for malted but not for unmalted grain." *

In an early, simple, and stationary condition of the industrial arts, regulations respecting the modes and processes of production can do little injury; but they become more and more obstructive as the advance of science and art renders new improvements possible. The Revenue is further involved in new dilemmas by the increasing variety of productions analogous to those on which the duty is designed to fall. The difficulty of deciding what was paper and what was soap, and by

* Inland Revenue Report, 1870, vol. i., page 32.

consequence who was a papermaker and who a maker of soap, has in this manner recently driven the Chancellor of the Exchequer to abandon the licence duty on both branches of manufacture.

Another dilemma meets with a marvellous solution. The use of molasses, though prohibited in breweries, is permitted in distilleries duty free. But if the exemptions were allowed upon leakage in the bonded store before removal to the distillery, fraudulent withdrawals for other purposes for which there is no exemption from duty might take place. Accordingly duty is charged upon leakage in bond; and the other horn of the dilemma is the singular absurdity of duty being charged on an article which does not exist, while none is charged on a similar article which does exist, and is profitably used.

As customs involve excise duties on similar domestic products, so excise duties involve corresponding customs duties, with all the evils which they entail. Import duties are classed in Custom House manuals as ordinary import duties, *e.g.*, on tea, sugar, wine, and tobacco; and duties to countervail excise duties, *e.g.*, on spirits and malt, or stamp duties on British-made articles. In like manner excise duties are divisible into ordinary duties, such as those on spirits and malt, and duties to countervail import duties, *e.g.*, on sugar and chicory. The two systems, with all their vices, are each other's inseparable complements; and all the arguments accordingly against either are arguments against both. Both violate the fundamental principle of economic liberty—liberty to make every productive use of all the powers of the human mind and the material world; and both stand conclusively condemned alike by that principle and by their own fruits.*

* Among the evils which both occasion are the embarrassments to and the frauds on the revenue, arising from the necessity of allowing a drawback of duty on exportation. The malt duty affords an example: "In 1860 malt was for the first time allowed to be exported on drawback. Before the passing of the Act, a maltster manufacturing for home consumption could not avail himself of an opportunity in the foreign market. The danger of allowing a drawback is obvious; it being extremely difficult from mere

From the evidence contained in the foregoing pages, imperfect as the writer's presentation of the subject has been, the reader is in a position to form some judgment of the worth of estimates of the actual pressure of our system of imperial taxation, based on a comparison of its pecuniary amount with the number of the population; and in like manner of estimates of its real cost to the nation, based on the mere cost of collection. Cost of Customs and Excise Duties.

The bare cost of collection, in actual disbursement by the State, is put in official statistics at little more than 3 per cent. Adding the loss consequent on the advance of the duty, we approach little nearer to a true estimate; though on this head we ought to observe that the loss is commonly much underrated by being assumed to be merely an equivalent to loss of ordinary profit on the capital advanced in the payment of the duties, even if that loss be put at from 20 to 30 per cent.* About forty-two millions sterling are annually advanced by producers and traders in payment of customs and excise duties, which otherwise would be productively employed and reproduced, yielding wages as well as profit at each turn of the capital. What is lost, therefore, by the bare advance of the duty is not merely profit, but the entire revenue that would otherwise be reproduced.

After this correction we yet make no approximation to a true estimate of the burden and cost of the system; it can only be approached to by considerations which admit of no arithmetical statement,—by bearing in mind that the forty-two millions withdrawn from production are withdrawn by a system which closes our coasts and rivers to local enterprise and foreign trade, our factories

inspection to say whether the malt produced to the examining officer is not to a great extent adulterated with grain which has never paid duty."—*Inland Revenue Report*, 1870, p. 33.

* "I have never," says Mr. Jevons on this point, "been able to meet with any estimate of the loss to the public arising out of interest and risk upon other indirect taxes (*i.e.*, other than the match tax), though it is often stated as high as 30 per cent.; and I have myself assumed it at 20 per cent." —*The Match Tax: a Problem in Finance*, by W. Stanley Jevons, p. 17. Mr. Macdonell, "Survey of Political Economy," p. 348, appears to put the bare cost of collection at 10 per cent., without taking into account the profit lost on the advance of the duty.

to improvement, and our laboratories to invention; forbids the free cultivation of our fields; creates monopolies; and maintains exorbitant duties on the produce of foreign nations, who retaliate with duties which, by curtailing the market for our manufactures, augment in accordance with a well-known law their cost of production and therefore their price to consumers at home. The cost of the system is the mass of waste direct and indirect which it occasions by shutting up the resources of nature, disturbing the natural division of labour, and shackling invention and enterprise;—the mass of invisible, incalculable losses sustained through arresting the progress of the world in countless directions, each having its own natural train of further progression. One knows not how many unoccupied or thinly-inhabited spots on our coasts and rivers might have risen to great commercial importance, spreading wealth and activity around, had there not been Custom House barriers between them and the sea. Taxes on legal proceedings have been said to fall heaviest on a class who at first sight appear not to pay them at all, namely, those who are prevented by their poverty from going to law and obtaining justice. By analogy, when financial reformers point out the enormous disproportion at many ports of the cost of collection to the duty received,* it might be subjoined that the real cost is heaviest at places which pay no duties at all, because they are excluded from foreign trade by the regulations of the Custom House. At this or that particular spot, the loss arising from arrested development may be small, or even nil; yet the aggregate loss at all points taken together may be enormous.

* "The Commissioners of Customs, in their annual reports, pride themselves upon what they consider the very moderate cost of collecting the customs revenue. Omitting cost of the coastguard and sundry other charges, they put it at less than 3½ per cent. Only in seventeen ports, and in the average of the whole collection, does the per-centage come within the official estimate. In the next eleven the average is upwards of 4 per cent.; in the next ten, nearly 7 per cent.; at Portsmouth upwards of 12, and at North Shields nearly 38; in the next nineteen, 14 per cent.; in the next seventeen, 18¼ per cent.; in the next twenty-two, 26¼ per cent.; and in the remaining thirty-six, 119½, the rate in several instances rising to hundreds and thousands per cent."—*Financial Reformer's Almanack.*

You levy a duty on foreign wine and tobacco, and limit their importation in consequence to a few ports ; you must then add to the cost of collection of the duty, not only all the local wealth which the places closed to importation lose by the check to direct exportation in exchange, but the loss arising from counter duties abroad on the exports of Great Britain,* resulting in a smaller production at greater proportionate cost, and a consequent increase of price to British consumers.

Again, you impose an excise duty on British spirits, meant to tax only the drinkers of spirits, and to balance the duty you must tax foreign spirits ; thereby shutting your manufactures out of Continental markets, and impeding the progress of Free Trade throughout Europe. To collect your excise duties, you stop invention and improvement not only in the production of the articles taxed, but in all the arts and applications in which the products are used, or to which analogous improvements might be transferred. As with " the tangled web we weave, when once we practise to deceive," the ramifications of loss and mischief following from one false step in finance are endless. The loss in many instances may be slight, but all the wealth of England is an accumulation of small savings and small gains. England, perhaps, because of that wealth, is supposed rich

* An economist of rising reputation in Ireland says, in an essay on the depression of the Irish linen trade : " Are our customs duties the cause of the depression in the linen trade? In order to answer this question, I must first direct your attention to the customs tariffs of foreign countries upon our linen, and I propose to show that these are most unfavourable to our linen industry; and that on grounds of international fair play and of political economy we cannot hope to alter these duties abroad, unless we are at the same time prepared to alter duties we impose of a similar sort at home. . . . In the United States there is imposed an import duty varying from 30 to 40 per cent., according to the class of goods. . . . . Our manufacturers and merchants attribute the decline to its true cause when they point to the oppressive tariff of the United States. . . . But the ultimate cause is the indirect taxation of this country. We cannot ask the Americans to forego the revenue which they derive from imports from this country, while we retain the revenue we derive from imports, the produce of America. On grounds of international fair play we can hardly ask the United States to give up their 35 per cent. duty on linen, if we are to retain our 300 per cent. on their tobacco."—*The Linen Trade and the Customs Duties*, by Robert Donnell, Esq., Barrister-at-Law.

enough to bear some restrictions to its industrial and commercial growth. But England, if the richest, is also the poorest country, with the poorest population in the whole civilised world.

Customs and Excise Duties tax Producers as well as Consumers.

One source of misjudgment respecting the burden and cost of customs, and excise duties, is a misconception on the part of many economists that they fall only on consumers; the truth being that they tax producers heavily by checking the natural course of production and trade, and the increase of capital, wages, and profit that would ensue. Mr. Gladstone refuted a common fallacy respecting the incidence of indirect taxes on consumers alone, when he said of the effect of abolishing the import duty on corn on the condition of the labouring classes:—"Take the great change in the corn-laws: it may even be doubted whether up to this time you have given them cheaper bread—at best it has been but a trifle cheaper than before; but you have created a regular and steady trade in corn which may be stated at £15,000,000; by that trade you have created a corresponding demand for the commodities of which they are the producers; their labour being an essential element in their production; and it is the enhanced price their labour thus brings, even more than the cheaper price of commodities, that forms the main benefit they receive." "I do not hesitate to say," he added, "that it is a mistake to suppose that the best means of giving benefit to the labouring classes is simply to operate on the articles consumed by them. If you want to do them the maximum of good, you should operate on the articles which give to them the maximum of employment."

To see clearly the tendency of fiscal duties and restrictions as affecting the wealth of the producing classes, we have but to suppose them carried to such a point that only village traffic and manufactures exist; each village producing for its own wants without exterior trade. Only village fortunes, village capitals, and village incomes would then exist. Or look to an

opposite example—to the immense fortunes, the vast accumulation of capital, the rise of wages among our manufacturing and mining population, which have followed the reduction of import and excise duties in the last twenty years. To all the losses, therefore, suffered by consumers—losses not confined to the commodities taxed, but extending over all the commodities to the production of which the former, or the inventions and improvements to which they would naturally lead, may be applied—we must add an incalculable loss to producers. Hence, even if it be possible to reduce the bare cost of collection to the figure an authority so high as Mr. William Gibb supposes,* Swift's saying would still fall far short of the truth, that in the arithmetic of the Customs two and two sometimes make not four but only one. And as much may be said for the arithmetic of the Excise.

Add to all these items in the cost of the system, that as industrial and commercial progress advances, it becomes continually more obstructive and hurtful. Infant trade needs few harbours and few channels. So long as the arts of production are stationary, restrictive regulations are innocuous, for while there can be no progress, liberty to make it is needless; but for invention, improvement, and enterprise, liberty is the condition of existence.

One instance of the increasing embarrassment and hindrance to trade created by the customs was pointed out by Cobden as follows:—"You cannot see an end of the difficulty except by abolishing custom-houses altogether. You cannot allow articles to pass without examination: if you did, goods that do pay duty would come in, in the guise of those that do not. If you allow

* "In the last published report made to the Lords of the Treasury by the Commissioners of Customs, you will find that the cost of collection on the gross amount of duty paid in the United Kingdom was £3 9s. 4d. per cent., whilst the cost of collection in Manchester is only 20s. per cent., including rent of custom-house and other charges. . . . . And in regard to the business of the Customs, I believe it will not be denied that in no quarter of the kingdom is the service more satisfactorily conducted."—*Customs Expenditure for Collection of the Revenue: a Proposal for its Reduction*, by William Gibb, Esq., Swinton Park, Manchester.

cotton bales from America to come in without examination, how soon would those cotton bales become tobacco bales! You are receiving from 25,000 to 30,000 bales of cotton a week; and how difficult it is to examine all of it! How different it was thirty years ago, when you had not as many hundreds!" The following confession of the increasing difficulty, with every stride of navigation and commerce, comes from the Customs Commissioners themselves:—

"The number of steamers has again increased, and the sailing vessels continue to fall off. Increased demands are in consequence continually arising upon the department for officers. Each steamer requires as a rule three officers to guard her, whilst two or only one suffice for a sailing vessel:—

NUMBER OF VESSELS ARRIVING IN THE PORT OF LONDON:—

	1868.	1869.
Sailing Vessels	7,877	7,477
Steamers	3,528	3,997
	11,405	11,474
Number of Vessels Rummaged at Gravesend	1,007	1,009
Ditto which passed Gravesend Unguarded for want of Officers .	1,991	2,669*

Inequality of Customs and Excise Duties.

If, for all these reasons, our system of customs and excise duties flagrantly violates the maxim that taxation should take as little as possible out of the pockets of the people, over and above what it brings into the coffers of the State, it no less flagrantly violates the maxim that taxes should be equal in the proportion of their pressure to the means of the payers, or in the sacrifices they impose. Most of the luxuries of the rich escape these duties altogether; and poor and rich are taxed alike where they fall on both.† The Chancellor

* Fourteenth Report of Her Majesty's Commissioners of Customs.

† It is sometimes argued that the rich are taxed more than the poor in proportion to the number of servants they keep, and the consumption of taxed tea, sugar, &c., by the latter. But since the working classes out of doors have similar duties to pay, it is evident that a man cannot by choosing service instead of outdoor work throw the payment of taxes on the articles

of the Exchequer, comparing direct and indirect taxation, and admitting the economy of the former, says on behalf of the latter: "Indirect taxation on the other hand is optional, and with a little self-denial a man may in this country absolutely exempt himself from the payment of indirect taxes." With a little self-denial, a man of immense wealth may exempt himself from the contribution of more than a fraction of his revenue, so insignificant that it strains language but little to call it absolute exemption. But can a poor hard-worked labourer escape the taxes on tea, sugar, beer, and tobacco with a little self-denial? Can he do his work upon water? Can he afford to drink milk? Would it be a trifling sacrifice to him never to smoke a pipe, or drink a cup of tea or a glass of beer?

And as these duties are grossly unequal as between different classes, so are they again as between different members of the same class. There are men who dislike stimulants and are better without them, and to whom it is no sacrifice to spare the consumption of them; and there are men to whom they are not only grateful but necessary for health.

But it is not only as respects consumers that such taxes are unequal, they are so likewise as they affect producers: an inequality which has escaped attention from the confused manner in which the theorem of the equality of profits is commonly apprehended. We might urge that the conditions of that theorem are a knowledge of the profits of all occupations and a prevision of circumstances affecting them in the future, far from possible in the actual world of business; in which occupations are so countless, subject to such unforeseen changes and chances, and each for the most part requiring such special devotion to master it, that every man must mind his own business, not that of his neighbours. But the doctrine of equality of profits is not put forward, even by those who attach most practical importance to

he consumes upon his master. Will it be argued that if all such duties were removed servants would derive no benefit? Domestic servants often get a weekly allowance for tea and sugar; and those who receive this part of their wages in kind would not long allow their masters to pocket the difference.

it, as meaning more than that if any occupation is observed to offer on the whole fewer chances of gain or greater chances of loss than other occupations, capital in the long run will desert it, or cease to recruit it, until the prospects it presents afford something like an equality of inducements.*

No economist could now be so blind as to take the doctrine to mean that every capitalist actually gets the same per-centage of profit on his outlay. "That depends," as Mr. Mill states the doctrine, "on the knowledge, talent, economy, and energy of the capitalist, or the agents he employs; on the accident of personal connection; and even on chance. Hardly any two dealers in the same trade carry on their business at the same expense, or turn over their capital in the same time. That equal capitals give equal profits, as a general maxim of trade, would be as false as that equal age or size gives equal bodily strength, or that equal reading or experience gives equal knowledge."† Yet the assumption on which the duties in question rest, and on which the whole theory of indirect taxation has been erected, is no other than the maxim of which Mr. Mill has exposed the falsehood. From the equality of profits, it is inferred that producers recover from consumers, with average profits, all advances of duty on the commodities in which they deal. Now suppose a trade in some commodity on which duties are levied—the tea trade for example—is found for a number of years, say the decade 1860—1870, to be a losing one for many of those engaged in it; and that the competition in the

* "On an average, whatever may be the occasional fluctuations, the various employments of capital are on such a footing as to hold out not equal profits, but equal expectations of profit to persons of equal abilities and advantages. If the case were not so, if there were evidently and to common experience more favourable chances of pecuniary success in one business than in others, more persons would engage their capital in the business or would bring up their sons to it. If, on the contrarp, a business is not considered thriving, if the chances of profit in it are thought to be inferior to those in other employments, capital gradually leaves it; and by this change in the distribution of capital between the less profitable and the more profitable employment, a sort of balance is restored."—*Principles of Political Economy, by J. S. Mill;* Book ii., chap. xv.

† Principles of Political Economy, Book ii., chap. xv.

succeeding decade, 1870—1880, is so much less that more than average profits are made by the majority of the dealers ; where is the compensation in these higher profits to those whose capital was unprofitably expended in the payment of duties in the preceding decade, and who now are dead, ruined, retired from business, or gone to some other trade? "In 500 years," says Hume in his Essay on Public Credit, "the posterity of those now in the coaches and of those upon the boxes will probably have changed places." But if any one were to argue that such an equal distribution in the long run to generations of inside and outside passengers, of shelter and warmth, cold and rain, of the good things of the world and its privations, equalises the lot of the individual passengers, his logic would appear afflicted with singular weakness ; yet such *is* the logic our financiers follow in all their calculations respecting the consequences of the taxes we are discussing.

Once more:—Take the actual situation of an ordinary trade, in which what are called average profits are made ; that is to say, of which the gains, as a whole, are supposed by capitalists to be about the same as those of most other businesses. Great inequality, of course, will nevertheless exist in the profits of its individual members; some will be making great fortunes, some just holding their own, others rather on the losing side, and others again losing all they have got. Where, in this state of things, is the recovery of all advances in customs or excise duty with average profit, when some make no profit at all, and some never even recover their actual outgoings in duty?

The assumption, then, on which the whole system of indirect taxation has been built—namely, that a duty on a particular commodity is borne by consumers alone—falls to the ground. To some of the members of a trade the advance may be a dead loss, to others an excellent investment of capital. One notorious way in which duties produce an inequality of profits is by driving the smaller capitalists from the field, and creating a monopoly for those who can make the additional outlay they

necessitate. Thus the House of Commons Committee on the Malt Duty, 1862, reported that "this tax, by making it necessary to employ a large amount of capital in the trades of malting and brewing, has created and tends to foster two large monopolies. Your committee examined maltsters from the counties of Suffolk, Norfolk, Hertford, Lincoln, Devon, and York, from whom your committee gather that the number of maltsters has sensibly decreased in the last few years, whilst the quantity of malt has increased." The committee added that "although some of the witnesses were favourable to the repeal of the tax, they admitted that the trade as a whole were opposed to the repeal, on the ground that it would tend to an increase in the number of maltsters and to the practice of malting by farmers." A Scotch distiller who was examined stated that his firm paid about £700,000 a year in duty; and one hears of yet larger amounts being paid by distillers in England, where the entire number of firms is said not to exceed eight.

It is clear, then, that customs and excise duties are as contrary to the canon which enjoins equality as to that which enjoins economy; and they sin in like manner against the canons of convenience and certainty. The time when a poor man is obliged to pay for his food —when his money is going out, not coming in—is the least, not the most convenient time for the payment of his taxes. Nor have the public any means of knowing what sums they pay in indirect taxation. If in reality the amount were certainly known, there would be a rebellion against it.

Compared with customs and excise duties, a plausible case has been made out by Mr. Jevons in favour of a match tax. What Mr. Jevons establishes is, in effect, that such a tax would be infinitely less at variance with the fundamental canons of taxation, infinitely less wasteful and more equal than the duties we have been considering. It would scarcely interfere with foreign trade, with the processes of manufacture; it would need no bonding warehouses, and it might cause some economy of

an article of which at present there is probably a considerable waste. What Mr. Jevons does not show is, that with the alternative of direct taxation a match tax was a defensible impost. It is one which would have fallen with crushing weight on a helpless class; it would have wasted in the cost of additional pauperism and crime the revenue it produced; and, as a new indirect tax to avoid direct taxation, it was a retrograde step in finance.

Moral and Sanitary Aspects of Duties on Wine, Spirits, and Beer.

Before making any specific proposals with respect to direct taxation, it is proper to say something of a class of indirect taxes to which other than ordinary economic considerations apply—namely, the duties on wine, spirits, and beer. The economic aspects of these duties, it should however be remembered, are not to be set aside because there are also moral and sanitary considerations to be taken into account. The true mode of reasoning on the subject is to survey it in all its aspects—economic, moral, and sanitary. And if the moral and sanitary aspects have hitherto received little attention, the chief reason really is that reliance, too plainly unfounded, has been placed on the check to intemperance created by indirect taxation. Other checks there are, both direct and indirect, which demand the most careful consideration. Among the indirect, are education, inducements to saving by reforms in our land laws rendering investments in land possible on the part of the poor, and tending to an improvement of their houses; and, again, friendlier association on the part of the wealthier classes with the former, in order to elevate their habits and taste. The direct repression of intemperance by control of the sale and purchase of intoxicating liquors is at length before us as a problem of practical politics; and we should be in a much better condition to determine what can be done towards its solution but for a misplaced reliance on customs and excise duties to check their consumption. With an immense number those duties are wholly ineffectual as a restraint on excess. They are so, in the first place, with persons

whose means enable them to drink to excess without any considerable sacrifice of other enjoyments; and they are equally so with those who are ready to sacrifice everything else for strong drink, and whom high price causes to forego other things, not the strong drink. Moreover, every rise in wages and general wealth *pro tanto* neutralises whatever limitation to its consumption the rise of price caused by a tax may be supposed to create. To be logical, those who would diminish intemperance by high prices ought to be equally ready to do so by diminishing the producing power of consumers, and should oppose every measure tending to augment the general wealth of the nation. Further, the duties on strong drinks lead to methods of adulteration which provoke an increased craving for them. They are partially baffled, moreover, and to no small extent, by illicit production. Mr. Dudley Baxter, favourable as he is to the policy of indirect taxation, estimates the consumption of spirits in Ireland at one-third more than the revenue returns account for. Of England the Inland Revenue Commissioners, though by no means inclined to admit anything suggestive of ineffectiveness in their system, reported last year: "Illicit distillation has always been more or less carried on in the large towns of England. Treacle is the material generally employed, and the process is so simple that it may be successfully conducted in any place where there is a supply of water. Illicit spirit can be sold with a fair profit at 5s. or 6s. a gallon; the duty on legally made spirits is 10s. a gallon. It cannot be expected, therefore, that the practice will be entirely suppressed."

Lastly, those who would put an end to or largely diminish the use of stimulants must be prepared for direct taxation to supply the place of the revenue now derived from that source; and to all such, the question we have to consider, how to substitute direct for indirect taxation, is one of urgent concern. For ourselves we do not propose the repeal of the duties on stimulants until the whole subject, including the best mode of replacing the revenue derived from them by direct taxation, shall

have been thoroughly sifted by Parliament and the press.

Direct Taxation.

The particular manner in which the abolition of indirect taxation can best be effected is one respecting which the followers of Cobden may hold different opinions, and various plans might be proposed. It cannot be effected at one stroke; but to whatever length it may be carried one or more of three conditions is essential; a corresponding reduction of public expenditure, an augmentation of direct taxation, or an increased productiveness of the taxes remaining. The first was the method on which Cobden himself, for practical reasons, laid chief stress in his own time; but we can only observe here with respect to it that much economy in the two chief departments of expenditure, the military and naval services, might be effected by better organisation and administration. This, although a problem within the limits of finance, in its proper extension, is one too wide to enter upon in an essay of which taxation is the main subject.* Moreover, it is sufficiently plain that there is no prospect of accomplishing such a reduction of public expenditure as would close the chasm created by the abolition of indirect taxation; if only from the fact that the total cost of the military and naval forces in the financial year 1870-1 was £24,237,041, while the receipts from the customs and excise were as follows:—

Excise	£20,238,880
Customs	22,833,907
	43,072,787

* Respecting economy in military organisation, the writer ventures to refer to an essay on "The Military Systems of Europe," contributed by him to the *North British Review*, December, 1867. He cannot refrain from expressing his astonishment that no statesman in this country has shown himself sensible of the value of Mr. Edwin Chadwick's proposal "to change the commencement of military exercises from the productive adult to the non-productive juvenile, and to provide that in all elementary schools throughout the kingdom aided by the State, the boys shall be trained in military exercises and appropriate gymnastics."

Reductions of indirect taxation may be relied on to create greater productiveness of the taxes remaining; but there is a point beyond which compensation cannot be looked for in this way. We are, therefore, brought to consider the question of increased direct taxation. In discussing it, we shall in the first place (reserving specific suggestions for a future page) only assume such a reduction of indirect taxation as, on the one hand, would come sensibly home to the mass of the community, and, on the other hand, would do much to emancipate production and trade from the obstacles and restrictions which customs and excise duties create.

The feasibility of substituting direct for indirect taxation will be seen to have a close connection with the investigation we have followed and the conclusions which it establishes. The enlightenment of public opinion respecting the real burden of indirect taxation, and the real deduction it makes from the wealth of the community, is the process on which Cobden principally relied for the ultimate accomplishment of the great financial reform he foretold. Again, the more obstructive, hurtful, and wasteful our system of indirect taxation, and the more it represses the development of the resources of the country and the increase of national income and capital, the lighter the rate of direct taxation required to supersede it, because of the growth of the fund from which the direct contributions would be made. Given the total amount to be raised, and the number of contributors, the amount of contribution for each will be lighter in proportion to the increase of their aggregate revenue. The abolition of indirect taxation would of itself, as we hope to have abundantly shown, cause a rapid increase of that revenue. If any additional evidence were wanting on the point, it will be found in the statistics of the memorial of the Liverpool Chamber of Commerce for the repeal of a number of import duties: "From 1842 to 1866 there were repealed or reduced customs and excise duties amounting to £29,559,022, while the duties increased or imposed were only £9,866,127, or a net reduction of £19,692,895; and during the same period

the revenue derived from these two departments increased from £35,667,679 in 1842 to £42,973,000 in 1866.

"The expansion of trade is exhibited by the returns of shipping inwards and outwards. In the year 1841 the entries of all shipping engaged in the carrying trade beyond seas amounted to 9,418,547 tons; in the year 1867 they had increased to 32,756,112 tons.

"The imports and exports during the same period exhibit a similar increase, having risen from £130,735,736 in 1841 to £501,018,225 in 1867."

The chief instrument by which the reduction of customs and excise duties that led to the foregoing results were effected, was the income-tax; the production of which increases so with the growth of national wealth that whereas each penny of the tax formerly yielded only a million, each penny now yields more than a million and a half. In 1843, when the income-tax was imposed, the amount of annual income in Great Britain on which it was assessed was £251,013,003; in 1869 it had increased to £408,911,258.*

But the removal of purely fiscal obstructions to the development of national wealth is closely related to other reforms having a similar tendency, and therefore properly within the contemplation of the financier. Finance consists not alone in economical taxation, but also in developing by whatever measures political economy counsels the resources of the country, and thereby diminishing the burden of providing the State with the requisite funds. "Considered as a branch of the science of the statesman," says Adam Smith, "political economy proposes two distinct objects, first to provide a plentiful revenue for the people, or more properly to enable them to provide such a revenue for themselves; and secondly to supply the State with a revenue sufficient for the public service." The close connection between the two objects is manifest, but in the division of labour to which our chaotic system of

* Ireland was not subject to the income-tax in 1843, and is therefore not included in the above statistics. Including Ireland, the total amount assessed to income-tax in 1869 was £434,803,957.

law and administration has led, the attention of the financier has been withdrawn altogether from all but the most direct methods of supplying the funds required for the public service. Each department of administration has become an Augean Stable, requiring a Hercules to itself; and the financier, engrossed in the manipulation of taxes, has been blind to the financial aspects of great legal and administrative reforms. Upon the subject of administrative reform we must not in these pages say more than that the reduction of public expenditure to be effected by it makes it as urgently needed for the sake of economy, as it confessedly is for the sake of efficiency. And the great legal reforms to which we refer must be very briefly indicated.

They are Reform of the Laws relating to Land, Reform of the Laws relating to Women, and Reform of our System of Jurisprudence. Respecting the first of these three reforms it is enough to say that settlements of landed property with the difficulties of title and transfer they cause, the absence of a cheap and safe system of transfer by registration, the intricacy, technicality, and uncertainty of the law of real property, compose a network of restrictions to all the productive uses of land, of which the natural result is its accumulation in unproductive hands.* A writer of ability, admitting fully the political expediency of land law reform, has questioned its economic importance since the abolition of protection. On the contrary, free trade in corn only increases the importance of free trade in land as an instrument for the production of wealth. The growth of corn is only one of the uses of land; it finds now more profitable destinations for purposes of manufacture, trade, locomotion, and residence, and in the production of animal and fresh vegetable food. The upholders of our feudal land laws are practically doing their utmost to convince the great class to whom political power is gravitating that the distribution of

* See on this subject, "Land Systems of the United Kingdom and the Continent," by the present writer, pp. 76-8, 160—202.

land is wholly a matter of legislation, respecting which the dominant political class legislates in its own interest; and respecting which therefore they will themselves be justified in legislating in their own presumable interest when they shall have gotten the dominion. It has been the habit of English politicians to speak of the distribution of land in France as the consequence of an unnatural system of law; when the truth is that in France free trade in land has played a great part in effecting its wide distribution;* while in Great Britain its concentration is the result of a mediæval system of law expressly designed to make it the inalienable property of a limited number of families, above all temptation to industry.

Another great financial reform, augmenting prodigiously the national resources and lightening the pressure of direct taxation by increasing its productiveness would be the abolition of all unequal laws relating to the property and occupations of women. No economist can dispute the proposition that the aggregate loss resulting from the proprietary and industrial disabilities of one-half of the nation must be enormous. The capacities of women are as much part of the nation's resources as those of men; and the same economic principles of liberty and security are obviously applicable to their development. It falls, moreover, strictly within the province of an exponent of Cobden's principles to urge this reform, for not only is it an inevitable inference from his economic code, but he was one of the earliest advocates of the political rights and equality which would secure it.†

A simplification of our system of jurisprudence is a third great law reform, closely connected with the two preceding, which would multiply the wealth of the

* "The Land System of France." Cobden Club Essays on Land Tenure.

† "There are many ladies, I am happy to say, present; now it is a very anomalous and singular fact that they cannot vote themselves, and yet that they have a power of conferring votes upon other people. I wish they had the franchise, for they would often make a much better use of it than their husbands."—*Speech on Free Trade, January* 15. "Cobden's Speeches," i. 257.

country. The difficulties, delays, uncertainties, and extravagant cost of legal transactions create obstacles to and impose penalties on business and enterprise of all kinds, which can scarcely be overstated. The powers of two crowded professions are in consequence to a great extent worse than wasted; their industry and skill being largely engaged in impeding and mulcting industrial enterprise and the whole business of life. It is the weak spot in Mr. Gladstone's financial policy that he has shown small zeal for the reform of our jurisprudence, small appreciation of its economic and financial importance, as it is Mr. Lowe's forte as a financier that he is fully alive to the importance of this reform, and zealous for its accomplishment.*

The three reforms just indicated are related in many ways to each other, and to the reformation of our system of taxation. They all belong to an epoch of legislation and government in the interest of the whole nation, not of particular classes. They all tend to unseal natural fountains of wealth by the same process of removing obstacles created by the State to the development of natural resources, and the natural play of capacity, industry, and enterprise. They all co-operate with one another, and contribute to each other's ends. The defects in our laws relating to land and to women are the chief historic roots of the faults of our jurisprudence; nor can a complete purgation of it be effected while the anomalies those defects have created are retained; and the prodigious augmentation of the wealth of the nation which would follow the three law reforms would greatly lighten the pressure of the direct taxation imposed in lieu of indirect imposts, and diminish the repugnance of the taxpayer.

An illustration of the tendency of both our land system and our system of taxation to disturb in a similar direction the natural division of labour and location of population, industry, and wealth, is afforded in the

* If the country would see great financial results achieved by Mr. Lowe, it would do well to call for his translation to the office of Minister of Justice.

plethoric growth of the metropolis at the cost of other parts of the country. Our Custom House regulations and our land system alike limit unnaturally the sites available for industrial and commercial uses, and for the maintenance of population in other parts of the kingdom, and overcrowd the capital.*

The measures which have been indicated would so enormously augment national wealth that an incredibly low rate of direct taxation would before many years meet the whole expenditure of the State. But so many reforms are not to be looked for at once; and as a rise in the rate of the income-tax is one of the proposals we make, the reader will remember that, in addition to the enormous charges which it imposes on consumers, our present system of indirect taxation involves in itself the heaviest possible income-tax in the limitation it imposes to the growth of wages, profit, and rent, from the expansion of production and commerce; while it often lays, as was shown in a preceding page, direct imposts on producers for which they meet with no compensation in profits.

If, then, in lieu of all customs and excise duties, other than those on spirits, wine, and beer, we propose to raise the present income-tax from 6d. to 1s. in the pound, we are really proposing an immense alleviation of the real burden of taxation.

* "Gross amount of duty collected by the Customs at London, Liverpool, and the other ports of England, and at the ports of Scotland and Ireland, in the year 1870:—London, £10,017,682; Liverpool, £2,723,217; other ports of England, £3,131,902; Scotland, £2,577,826; Ireland, £1,919,072."—15th Report of the Commissioners of Customs, 1871, Appendix B. See respecting the effect of our land laws on the metropolis, the author's "Land Systems," p. 160-229. One of the many evils resulting from the undue centralisation of population and trade in London is the danger recently noticed as follows by the *Times*, in an article on "The Inflammability of London:" "Having been at some pains to solve this question, investigation has led us to the conclusion that certainly in Europe is no great city exposed to such risks as London. The real cause of our additional liability to destruction by fire is to be found in the circumstance that while the commerce of London has advanced so enormously, the area in which that commerce is carried on has hardly extended at all. . . On examining the shipping and the wharves, and the waterside premises, it is impossible not to be struck with the danger that lies lurking throughout the whole way. The trade of London has grown out of all proportion to the safe accommodation for it."—*Times*, Nov. 2, 1871.

		£
In the financial year 1870-71, the income-tax, at 4d. in the pound produced ...		6,350,000
„ „ the duty on sugar produced		3,218,813
„ „ „ tea „		3,235,489
„ „ „ coffee „		415,835
„ „ „ tobacco „		6,613,668
Other imports (exclusive of wine, spirits, and beer) „		622,212
		20,456,017

It is a moderate estimate, having in view the increase of wealth, to which the addition of the duties in question would lead, that an income-tax of 1s. in the pound would, in the second, if not the first year, fill the vacuum, and furnish a larger revenue in every succeeding year. Should the reader be startled at the idea of raising twenty millions and a half by an income-tax from £434,083,957,* simultaneously with an immense reduction of indirect taxation, let us remind him that, in 1815, £137,621,309 was assessed at £15,642,338 at the same time that heavy war duties were levied on almost every commodity and every transaction of life. If he shudders at an income-tax at 1s. in the pound, with more than the "free breakfast-table" which Mr. Bright promised, let him remember that in 1857, with war-duties on tea and sugar, the income-tax stood at 1s. 4d. in the pound. Does he fear that capital will fly from a tax of 1s. in the pound upon profits? What capitalists look to is not the amount of direct taxation, but the amount of net profit after taxes and all deductions are made; and we have shown what immense deductions are caused by the duties we propose to abolish.

The opposition to direct taxation, in so far as it does not arise from ignorance of the much heavier burden which indirect imposts really occasion, rests mainly on an assumption that but for the latter the labouring classes would not only escape all contribution,† but would also use their political power to promote

* The amount assessed to income and property tax in 1869; since which year it has increased, there can be no doubt.

† "The second difficulty hindering the universal application of indirect taxation is the difficulty of collecting direct taxes from the poor. What heartburnings and discontent if the tax-gatherer knocked at every door and demanded dues from a day-labourer! What trouble, and expenditure of

lavish expenditure on the part of the State at the cost of the wealthier classes.* But on what ground does the assumption rest that the labouring class cannot be taxed directly? Are they not taxed directly in Switzerland and Germany? We do not refer only to the military service exacted from every labourer of valid frame — though that is direct taxation in its most summary form—and the principle it proceeds on, that every citizen of every class owes a debt to the State which he must directly discharge, is becoming universally recognised throughout Europe. But the really much lighter contribution of a direct pecuniary tax is also imposed, save in certain towns, on every class of the inhabitants of the Prussian dominions, down to the labourer earning the scantiest wage; the tax being collected monthly, with the option of prepayment for a year or part of a year. In the towns where the *Klassensteuer* (as the tax on all persons with incomes under £150 a year is called) has not yet been established, there is in lieu of it a tax on bread and butchers' meat (*Mahl und Schlacht-steuer*), and it is the aim of all Prussian economists and enlightened statesmen to replace this indirect tax by the *Klassensteuer;* legislative steps in that direction have indeed already been taken. In Swiss cantons, in like manner, all classes of the inhabitants, poor as well as rich, are directly taxed.†

time and money! What vexatious litigations! What numerous arrestments of wages! Would not the poor resist? Should we not see outbreaks resembling those which poll-taxes have produced? Would not the machinery of collection consume almost everything? . . . These considerations, perhaps, prove that the abolition of indirect taxes and the substitution of an income-tax would come sooner or later, to the total exemption of the poor from taxation of any kind."—*A Survey of Political Economy*, by J. Macdonell, p. 553.

* "An extension of the suffrage had conferred a predominance of political power upon the working classes. That boon was offered to them by the Conservatives, and he joyfully accepted it; but boon as it was, no one who had thought at all upon politics could conceal from himself that it was fraught with a danger, which was that the working classes could make increasing demands for State money, and would call upon the Government to spend money raised by the general taxation of the country to carry out great social reforms."—*Speech of Mr. Fawcett, M.P., at Salisbury, Oct. 20th*, 1871.

† The system of taxation varies in the different cantons of Switzerland, but the above is certainly true of some of them; if not, as the writer believes, of all.

The Prussian *Klassensteuer* was first introduced in 1811 in the form of a poll-tax, but under later legislation it has approximated to that of an income-tax, incomes under £150 being divided into three classes, which are assessed at different amounts. The imposition of a poll-tax at the very epoch when the peasants of Germany were emerging from serfdom may recall to the reader Adam Smith's words:—"Taxes of so much a head upon the bondmen employed in cultivation seem anciently to have been common all over Europe. It is probably on this account that poll-taxes of all kinds have often been represented as badges of slavery. Every tax, however, is to the person who pays it a badge not of slavery, but of liberty. It denotes that he is subject to government indeed, but that as he has some property he cannot himself be the property of a master. A poll-tax upon slaves is altogether different from a poll-tax upon freemen; the latter is paid by the persons upon whom it is imposed, the former by a different set of persons." The mediæval poll-tax was an indirect impost on the master, the *Klassensteuer* is a direct tax contributed by a free citizen. The passage from Adam Smith answers a dictum of Montesquieu, which M. Victor Bonnet cites in favour of indirect taxes:* "Comme c'est un impôt voluntaire, une espèce de *self-taxation*, il est particulièrement inhérent au régime de liberté." It was one of the chief causes of the victory of the Germans that they had learnt that no citizen should be at liberty to shift to the shoulders of others the discharge of his own debt to the State, and that free citizenship has its obligations as well as its rights. M. de Laveleye, observing that one of the main objections to indirect taxation is that the contributor pays without knowing it, adds, "Cela est utile à un peuple mineur,"—fit only, that is to say, for a people in its minority.

If the imposition of a direct tax on wages be accom-

* *Revue des Deux Mondes*, 1 *et* 15 *Avril*, 1871. One might feel astonished at finding so eminent and accomplished a writer as M. Bonnet so timid with respect to direct taxation, were not retrograde finance an almost inevitable part of the cost of wars and disorders such as France has been lately a prey to.

panied by the abolition of duties on the chief articles of the labourer's consumption, he will find great and immediate relief in the change. And if the German labourer is called on to take his place in the line of battle for his country, and to devote some of the best years of his life to perfecting himself in the duties of a citizen soldier; are we to assume that the British labourer is both so dull as not to be sensible of the relief the direct tax really brings to him, and so much below the German standard of patriotism, that he cannot rise to the consciousness that he has a direct obligation to discharge to his country? On the part of the wealthier classes we may add, nothing can be more impolitic than to object to direct taxation, on the ground that it cannot be imposed on the working classes, and thus to establish a maxim which the latter may not feel inclined to dispute when the control of taxation passes with political power into their hands.

The mechanism for the direct taxation of the small incomes is a problem for statesmanlike contrivance. One obvious expedient is to make employers responsible for the deduction of the tax on the wages of labourers and servants. And the difficulties of reaching wages, with the energies of the whole collecting staff concentrated on a very few direct taxes, would surely be small compared with those which surround the present attempt to watch every commodity that comes from abroad to any part of the coast; to tax various domestic productions, and restrict the production of some to particular processes; and to levy imposts on a number of daily transactions, while at the same time taxing directly all but very small incomes. Let us bear in mind the legion of functionaries now employed in the collecting of indirect taxes, of whom any requisite number would be available for the levy of direct taxation on an extended scale.

But, we need hardly add, that in extending the income-tax to the poorer classes a lower rate of assessment should be imposed, in observance of the principle of equality of sacrifice. Any curtailment of the ordinary necessaries of life, or of its poorest comforts, involves a

much heavier sacrifice than a contribution at the same pecuniary rate which trenches only on luxuries. A very conservative writer on taxes so far adopts this principle as to make it the first canon of taxation, that expenditure on the bare necessaries of life should be exempt from taxation;* and Mr. Jevons, scarcely less conservative in finance, says, "Hardly any one will call tea and sugar luxuries in the present day. They are some of the commonest elements of food, with which no one can fairly be expected to dispense."† If, however, an income-tax be imposed in lieu of a tax on such commodities, and at such a proportionate rate as to allow for the principle of equal sacrifice, the labouring class will be ill entitled to complain at a recognition of their citizenship in the contribution to the State of a small direct per-centage on their earnings.

It will be objected, both to the increase of the rate of income-tax on the classes at present paying it, and to its extension to smaller incomes, that it is an unequal tax; the real power of expenditure or available yearly income accruing from land and permanent funds being greater than that afforded by nominally equal yearly receipts from industrial and temporary sources. But this objection applies with much greater force to indirect taxation, which not only falls with like inequality in its immediate incidence on consumers, but also greatly aggravates that inequality as regards the productive classes, by diminishing wages and profits generally, and mulcting capitalists in many cases (as was shown in a former page) in the whole amount of the duties advanced. Taxes on commodities involve, in addition to the enormous charges they impose on consumers, an income-tax of the most burdensome and unequal kind on producers, though one which yields comparatively nothing to the State. And it is to the final effect of taxation on their incomes that taxpayers should look.

A just succession-tax, moreover, is the proper complement of an income-tax, and may be made to correct

* "The Taxation of the United Kingdom." By R. Dudley Baxter.
† "The Match Tax." By W. S. Jevons.

in a great measure the lighter pressure of the latter on permanent sources of income. The present almost abortive succession-duty on real estate was introduced by Mr. Gladstone with that intention. "If you are of opinion," he said, "that intelligence and skill under our present system of taxation pays too much, and property too little, there are means of equalising the burdens of the two classes which may be on the whole safe and efficacious. I refer to the question of the legacy-duty." The plan thus introduced has since been acknowledged by its author to be far from efficacious.* This arose partly from the miscalculations incident to the first introduction of a tax. It was the intention of Parliament to impose a much heavier succession-tax on real property than the present. "I think," said the present Chancellor of the Exchequer in his last Budget speech, "there is a fair case for the increase of the succession-duty, because I remember that in 1853 I heard my right honourable friend, the present Prime Minister, then Chancellor of the Exchequer, making an estimate which he then thought very moderate—and he was generally abused for having been too moderate—that in the course of some years this duty would reach to £2,000,000. The Parliament of 1853 having heard that estimate, thought fit to pass the Act, and therefore they gave their assent to a duty which in their opinion might reach £2,000,000. I think, indeed, that Lord Cairns estimated it at £4,000,000; and the present Vice-Chancellor Malins, then a member of the House, went so far as to put it at £8,000,000. That is now eighteen years ago, and the succession-duty last year was £732,000." It was intended, therefore, even in a Parliament over which the influence of the landlord was so powerful, to impose a succession-duty on land three times heavier

* "The succession-duty failed to produce what was expected of it, partly, or, rather, mainly, because it was found that by the usual course of succession, real property goes in the direct line in a much greater number of cases than personal property; so that if £100,000 a year in real and settled property came under the succession-duty, that would not yield the same average of duty as if it had been personal property."—*Mr. Gladstone's Financial Statement*, 1860.

than the existing tax, although the Act for the purpose designedly committed the glaring injustice of taxing successors to landed property only on the estimated value of their life interests.

The history of the taxation of successions—using the phrase in reference to both real and personal property, and both testamentary and intestate successions—is remarkable for the pertinacious resistance of the wealthier classes to equal taxation on one hand and the steady tendency of legislation towards it on the other, though many inequalities and anomalies remain to be rectified. "A Bill had been brought in by Mr. Pitt, in 1796, at the same time as the first Legacy Duty Act for granting 'a duty on succession to real estate in certain cases,' but it encountered a strong opposition in the House of Commons, until the Government, on passing it through one of its stages only by the casting vote of the Speaker, withdrew it. Subsequent attempts were made to extend the tax to real estate, but none were successful until the introduction of the Act of 1853 by Mr. Gladstone."* Thus, down to 1853, land escaped succession-duty altogether, while personal property was subject to the double tax of probate or administration duty and legacy-duty; and Mr. Gladstone's Act attempted only to impose an equivalent to the latter, or legacy-duty, with the further anomaly and injustice of assessing the succession-duty on lands upon the life interest only of the successors, although probate, administration, and legacy duties are assessed on the full value of the personalty. What adds not a little to the unfairness of such taxation is that by reason of the rapidly-increasing value of land in many parts of the country (of which no account is taken in the assessment) real property is in numerous instances estimated at much less than its value.

The taxation of successions to personal property likewise presents a curious history of tardy approaches to equality. The probate and administration duty introduced in 1694 taxed all successions to personalty above

* Report of the Commissioners of Inland Revenue, 1870, vol. i., p. 97.

the value of £20 at the same fixed sum of 5s.; which four years afterwards was raised to 10s. It was not until 1779 that any attempt to raise the duty in proportion to the value of the property was made, and the ascending scale which was then introduced stopped short at £300. In 1783 the ascending scale was pursued so far as £1,000; in 1789 £5,000 was made the limit for the maximum duty; and in 1797 £10,000 became the limit at which all increase of duty ceased. In 1801 the rates were increased, and the scale of ascending duty was carried up to £100,000; in 1804 the rates were again raised, and £500,000 made the limit at which the duty reached a maximum; and at length in 1815 the principle of proportionate taxation was carried up to £1,000,000. At that period, however, a new inequality was introduced; the administration-duty on intestate successions being raised, without any corresponding increase of probate-duty on property descending by will; and the absurd anomaly continues of a lower duty on the latter in the proportion of 2 to 3. There are too in the scales according to which both probate and administration duty are assessed, great inequalities remaining.

The course which suggests itself is to convert the present probate, administration, legacy, and succession duties into a uniform tax on successions to all descriptions of property, real or personal, and whether descending by will or on intestacy. In place of land being property subject to lighter succession-duty than personalty (as it now is by both escaping an equivalent to probate-duty, and being charged only on the life interest of the successor), were the Legislature bent on drawing a distinction, it ought to be in favour of personalty, which does not increase in its value like land, but, on the contrary, tends to deteriorate. The grounds of fundamental policy moreover on which the succession to property rests are strongest in the case of personalty. The policy of permitting succession to property is the encouragement of parental industry, improvement, and accumulation, and the consequent increase of national wealth. The greater the amount of wealth a man can accumulate within a

given area, the better for the public, who must, in wages, profits, and the expenditure of income, participate in the increase. But the greater the area of which a man obtains exclusive possession, the less is the probability of its being improved to the utmost; and the less too is the area left as a sphere for the exertions and improvements of others. It might also be taken into account that experience shows—what might *à priori* have been expected—that land even at an equal rate of succession-duty would be less productive to the public revenue than personalty, by reason of its descending more regularly in the direct line, and escaping in proportion the higher duty on the more distant successions. These considerations at least make out a conclusive case for bringing land under a succession-duty of the same rate as that to which personalty should be subject.

The Chancellor of the Exchequer in the first of his two budgets in the present year proposed to raise the present legacy and succession duty from 1 to 2 per cent. on lineal descendants, without any corresponding increase in the duty on remoter succession. "The lineal descendant," he said, speaking of the present scale of duties, "pays 1 per cent.; the succession between brothers pays 3 per cent.; between descendants of the same father 5 per cent.; between descendants of the same grandfather 6 per cent.; and all other persons in a more remote degree of consanguinity, or of no degree of consanguinity at all, 10 per cent. I am no great admirer of these scales, because in my opinion the essence of taxation is equality, whereas under this scale you have persons who receive the same scale, but who pay very differently on it." Fully concurring in the expediency of doubling the present duties on direct succession, we propose to raise at the same time the tax on succession out of the direct line. The Chancellor of the Exchequer's argument effaces a distinction arising out of the very principle of policy on which the whole succession to property is based. The encouragement of industry and thrift, and of the consequent increase of national wealth is the principle; and it presents itself in the most

powerful degree in the inducement to exertions and accumulations which the succession of those nearest and dearest to a man, his wife and children, creates. But this motive manifestly is weaker in proportion as the tie of relationship is removed; and in the cases of very distant relatives and unrelated persons is so faint that if all right of succession by will or otherwise were to cease, it is improbable that any significant diminution in the amount of national wealth would ensue; while the nation would gain by the application of the lapsed property to the reduction of public debt or taxation.* Whilst, therefore, we conceive that the Chancellor of the Exchequer took a departure in the right direction, and in the direction of the finance of the future, in attempting to raise the succession-duties in the case of the nearest relatives of the deceased, it appears to us that on grounds alike of general justice and policy, and of financial expediency, in place of effacing the distinction at present established, a higher than the present scale of duties should be applied to remote successions.

The total produce of the present probate, administration, legacy, and succession duties in the financial year 1870-1 was £4,805,291. With the changes proposed, a general succession-tax might yield at once ten millions; and its productiveness would steadily increase. The produce of a shilling income-tax on the classes at present

* "A man's wife and children are generally dependent on him, and are consequently the poorer, and not seldom much the poorer for his death, which is practically the same thing as their succession to his property. But it hardly ever occurs that a man supports his brother and cousins. If the Chancellor of the Exchequer had made up his mind to reform the succession-duties on intelligible principles—on principles, that is to say, which are intelligible because they tally with the realities of English life, and not with that arbitrary numerical equality which seems to have such fascinations for Mr. Lowe—he would probably have turned his attention to the comparative claims of the State and the present recipient to property devolving under the more distant successions. Few arguments of Mr. Mill seem to us to have more force than those by which he attempts to establish the slenderness of the claim of distant relatives to succeed. It could scarcely have been expected that Mr. Lowe should go the full length of Mr. Mill. But a considerable increase in the duty on all successions except those of the members of the family who ordinarily depend on one another in England and commonly live together, might have been rationally justified, and could have had the merit of correspondence with social facts."—*Pall Mall Gazette*, April 26, 1871.

liable to this tax would be about twenty millions; and this single branch of revenue would, as we have seen, enable the Government to extinguish all duties on commodities save stimulant liquors. Adding the produce of an extension of the tax at a lower rate to small incomes, and the increased yield of the reformed succession-duty, a number of vexatious and obstructive stamp-duties might be swept away; and the finance minister would, moreover, be in a position to deal with the malt and wine duties. By the time that more equal and efficacious checks to intemperance than indirect taxation had been discovered, the increased productiveness of the general income-tax and the succession-tax, with the aid of a house-tax, would render it possible to abolish indirect taxation altogether. Direct taxes on the expenditure of wealth in horses, carriages, servants, and a few similar items, might be retained; but it is not in the nature of such taxes to be very productive, and they ought never to be relied on as main branches of the revenue.

Treaties of Commerce.

To emancipate trade and production in every department, to set free the imprisoned forces of nature from oppressive interference and restraint on the part of our own Government, is the chief object of the reforms proposed in this essay. But a wise Administration might make them the means of removing many obstructions on the part of other Governments, by negotiating simultaneous reductions of import duties abroad. Important reductions of the duties in Germany, Spain, and Portugal, for example, on the exports of Great Britain, might be obtained by the abolition of our duty on tobacco, and reduced duties on foreign spirits and wine. A fresh treaty securing the tea trade from future export duties in China is a similar advantage which might be obtained simultaneously with the abolition of our own import duty on tea. It is amazing to find some economists still insensible to the benefits which a country derives from treaties procuring the removal or reduction of foreign taxes on its productions. In the first place, the

increased demand in foreign countries for the produce —let us say of Great Britain—as it becomes cheaper from diminished taxation abroad, raises its value and cheapens relatively to it the commodities obtained in exchange.* In the second place, since the chief exports of Great Britain are manufactures susceptible of improvement and producible at diminished cost with every extension of the market, the increased vent abroad which treaties of commerce secure, tends both to augment our superiority over other countries in such productions, and to cheapen and improve them for consumption at home. Thus British consumers gain a double advantage; they are gainers by the treaty on both foreign and domestic productions. But it is not consumers only who benefit, producers obtain increased openings for the enlargement of their business and more rapid returns to their capital by the extension of the foreign market; witness, on the one hand, the immense profits and the rise in wages in our manufacturing towns with the extension of our foreign trade in the last twenty years; and, on the other, the wealth which the treaty with England poured through both the towns and the rural districts of France. The excellent statistical summary in the Appendix gives figures which but imperfectly symbolise those gains of producers in France in the last ten years, without which that country would already be bankrupt from the results of the war. To deny that a reduction of foreign duties on their exports is an advantage to producers, is in principle to maintain that were internal traffic so circumscribed by tolls and excise regulations as never to pass the boundaries of a parish, as much wealth might nevertheless be made in village production and trade as in the present centres of commerce with the world.

New treaties of commerce therefore deserve to rank among the great instruments of financial reform which lie within our reach.

* One need hardly refer on this subject to Mr. Mill's "Principles of Political Economy," Book V., Chap. 4. The "Letters on Commercial Treaties," by a Disciple of Richard Cobden, reprinted by the Cobden Club in 1870, apply Mr. Mill's principles with great ability.

ROYAL ASIATIC

A NEW COMMERCIAL TREATY BETWEEN GREAT BRITAIN AND GERMANY.

By Julius Faucher, of Berlin.

My treatment of this question must be to some extent historical, tracing the progressive movements towards Free Trade in Germany.

The young Prussian monarchy under Frederick I., Frederick-William II., and Frederick II., in ascending scale among the bad governments of that mercantilist age, in the point of tariff politics was one of the worst. With it, actual prohibition, not merely prohibitory or protective duties, was the rule—while Prussia's neighbour, Saxony, in that respect belonged to the comparatively wiser European states—consequences of which are still easily discernible. In particular, Frederick-William I., Mr. Thomas Carlyle's man, an arrogant and blundering busybody as ever sat on a throne, was always ready to prohibit, be it importation or exportation, wherever trade sprang up and gave promise to flourish between the two neighbouring states. He has retarded and not promoted the progress of the country, and many of his creations give trouble to this very day. As a Prussian, belonging to a family dwelling in the state since that state was a kingdom, I avail myself of the opportunity to enter a solemn protest with the English reader, against the way in which Mr. Carlyle has treated our history. He has written about things of which he knows little; he has read state papers, but has not studied town, country, and people, and has taken everywhere the *post hoc* for the *propter hoc*. The one relieving feature under the early kings, Frederick II. included, was the freedom of

settlement between province and province, place and place, the freedom of immigration, and the comparative facility of marriage. Every thing that *visibly* tended to increase the population, was eagerly adopted even by our earlier kings. They understood, *all* of them, this much, that the Prussian state was a colony. But here their merit as to civil administration ends. Even Frederick II., though a man of superior intellect, rather sharpened than relaxed the mercantilist practices of his predecessor—but already amidst the grumblings of his people.

Of all the teachings of Adam Smith none has had greater practical importance than the conclusive proof, that every prohibitive interposition between seller and buyer, injures the buyer just as much as the seller. Here had been the mental blunder which had led Europe into suicidal proceedings during the course of a whole century. That goods bought for consumption are reproductive as a rule, was that part of his argument which made its way quickest into men's minds.

The writings of Adam Smith nowhere exercised an earlier and more powerful influence than in my country, just because it had had nearly the most to suffer in the matter of government interference in commerce. What popular instinct before had felt, had now become matter beyond dispute.

An excellent translation of the "Wealth of Nations," by the most elegant prose writer of Germany in those times, Christian Garve, made its way, in rapidly repeated editions, into the libraries of almost all such men as were wealthy and well educated enough to keep a library. Their faith, not merely in the commercial policy which Frederick the Great had left behind, but in the whole legislation of Prussia, was shaken from the top to the bottom long before the battle of Jena. Already the terrors of the French Revolution had acted as a powerful warning. In Prussia, a change in the occupancy of the throne has always been the signal for the state embarking on those reforms for which the public mind had been gradually ripening during the preceding

reign. As soon as, after the unimportant reign of Frederick-William II., a young king full of promise ascended the throne, the reformers, approaching and surrounding him, set to work. An anonymous essay, published about a year ago, has attempted to prove, by a great many quotations from orders in council from the sixteenth century down, that the comparative superiority of Brandenburg and of Prussian legislation in matters of social and political economy, when compared to that of other German states, was due to an intuitive wisdom hereditary in the Hohenzollern family, and pretends that the great trenchant reforms in the beginning of this century were nothing but the finishing stroke to a coherent and premeditated work of centuries. The essay is written for practical political purposes of to-day, connected with personal questions on which I need not enter here. Its author proves too much. No doubt the will was there, but the main question is that of the way, and there is no resemblance between the spirit in which the state had been governed before and that which prevailed after Frederick-William III. had ascended the throne. A very different thing now became the language of the orders in council. It was very unmistakably the language of the great Scottish philosopher, sometimes in quotations to the letter. The "Wealth of Nations" had become the legislative code of the country; its principles were unhesitatingly professed, and a beginning was made to carry them practically out. Nor is it a secret, that the most ardent disciple and apostle, whom Adam Smith ever had—Kraus—Professor of Political Economy at the University of Königsberg, had a hand in bringing about the very first orders in council, by which an altogether new era of social legislation was held in prospect and inaugurated.

But the true time for that indefatigable champion of freedom of labour and exchange had not yet arrived. Though the young king had the best intentions, there was something in his character—a lack of self-reliance—which made him lean to waiting and adjourning, when-

ever he could find an excuse for it, a trait which he has preserved till the end of his life. Kraus had once more to concentrate his attention on his influence as a public teacher.

It is due to this meritorious man, so little known abroad, now that his name is again mentioned in a Cobden Club Essay,* to say that before the days of the Anti-Corn Law League there was an agitation for Free Trade in the world; one which had to be carried on without public meetings, of which neither the law nor the people of the country had practice and knowledge; without a league; and without a representative parliament to act upon. Even the journals of those times counted for nothing, so far as legislative reforms were concerned; their tiny columns were exclusively filled with tales of war, by which the attention of the multitude was altogether absorbed.

Kraus had no other way left, but to publish books of very uncertain sale, and to win over, personally and in private, by imparting his own enthusiasm to their minds, such young men of good family connection as promised to become men of importance in the state.

He sat down and *re-wrote*, so his work must be characterised, the work of Adam Smith. That is to say, he fitted it, as best he could, to the exigencies of the national mind. He deprived it, consequently, of that insular touch, with which, as Lord Acton said at the last annual dinner of the Cobden Club, German criticism has reproached it, while acknowledging its incomparable merit. He substituted for the terse style of Adam Smith a broader, and indeed very often more convincing strain of argumentation, not seldom rivalling Frederick Bastiat in transparent clearness. The work has swollen under his hands into not less than five volumes. The young men whom he knew how to fascinate, and who swore by his writings, present an array of names for ever engraven on the monumental part of

* See Mr. R. B. D. Morier's essay on the agrarian legislation of Prussia during the present century in the papers of the Cobden Club on "Systems of Land Tenure in Various Countries of 1870."

German historical records. The statues of many of them will soon adorn the Berlin Lustgarten, the *forum borussiacum.* Of the statesmen on whom devolved the task of re-constructing the Prussian state after the overthrow of Jena—Schön, Auerswald, Schrötter, and even Boyen, had been favourite disciples of his, and carried out afterwards what they had learned from him. From Jena to Sedan that great reform of commercial, agrarian, and settlement legislation, which was their work, has had time to do its work in quiet; and the most telling result has been an increase of population without precedent, on nearly the worst soil in Europe, and an accumulation of physical power in three-quarters of a million of young men from country and town sufficient to catch and imprison a proud army that once handled Europe as it pleased.

Kraus had not the satisfaction of seeing fully carried out what he had most at heart, namely, Prussia setting the first example, and making itself the champion of international Free Trade in Europe. The road to this goal was a long and tortuous one. Before a customs tariff, based upon Free Trade principles, could be introduced, a single customs frontier, with perfect Free Trade in the interior, had first to be established. For till then duties were exacted not merely from goods conveyed across the boundary of the state but also when crossing provincial frontiers, and on rivers and roads; and the territory being bisected by that of other states, negotiations had to be carried on with a view to induce them, if possible, to throw in their own territory, so as to form with Prussia a coherent expanse of land, and thus to facilitate the intended customs reform.

These latter negotiations proving abortive, the statesmen to whom the task of customs reform was entrusted at last lost patience, and proceeded to independent action in the year 1816. The most prominent among these men were Maassen and Kuhne, the latter of whom has lived to see the victories of the young and second German Free Trade party. He died but a very short time before Cobden; and on that sad morning, when I had to stand up in the Prussian

House of Deputies, to inform the House that, while I was speaking, the coffin of Cobden was being lowered at Midhurst, it was consolatory evidence of the catholicity, and through it the safety, of international Free Trade, that I could couple the name of the stout, uncompromising Prussian Free Trader of old, a member of the House till his death, with that of his more rapidly successful English kinsman in spirit, when I called upon the House to show our respect for both men together.

Those first steps in 1816 had only a preparatory character. The old Frederick's mercantilist prohibition of exporting gold and silver, which of course had always been a mere dead letter, was cancelled. The duty on foreign-grown sugar, which in Prussia had led to the invention of the manufacture of beetroot sugar, was lowered, and a future equal tax on both home-grown and foreign-grown sugar at once held in prospect. Then followed the total abolition of all customs duties between province and province, on road and river, at least in the larger, the eastern part of the state. Finally, the government divulged its intention of introducing, at short notice, an altogether new system of excise and customs duties. In 1817 a draft of it was ready, and could be communicated to the Saxon Government; Saxony being by far the most deeply interested neighbour.

It is true that the tariff was not what could give unmingled satisfaction to the Free Trade enthusiasts in the country. It was a compromise, the guilt of which, as would appear, must be laid to the door of the chancellor, Prince Hardenberg, who had already proved in but too many respects that he was not the man he once was taken for; but, in fact, an extremely pusillanimous weathercock, enfeebled by a boundless love of pleasure. Yet, when the new system became law on the 1st of January, 1819, it could not be said otherwise than that one of the most important doctrines put forward by Adam Smith had at least got something like a fair trial in a commonwealth of larger size. The text of

the law begins thus:—"All foreign produce, whether the produce of nature or of art, may be imported and consumed in Prussia, and may be carried through it; all home produce, whether the produce of nature or of art, may be exported." The statute proceeded to enounce that henceforward *import* duties were intended to form the main source of the revenue expected from customs duties, and that *exportation*, as a rule, should be duty free. The principle in accordance with which the tariff had been drawn up was delineated thus:—To treat such foreign produce as peculiarly fitted to bear duty which produce did not belong to the real necessities of life, and which further was destined for immediate consumption, without having to undergo additional processes of manufacture; to impose a uniform duty on *all* such produce of half a thaler on the hundredweight (in most cases a ridiculously small impost), with an addition, in the case of foreign manufactures, not exceeding ten per cent. *ad valorem*. It was hoped that the maximum rate of ten per cent. *ad valorem* would not leave a sufficient margin for protection to breed unhealthy branches of industry in the country, and that the universal rate of half a thaler on the hundredweight, where nothing was added to it, would not leave sufficient margin to smuggling.

Now all this was pretty reasonable, considering the time, though two most important items of customs reform, namely, the limitation of the tariff to as small a number of articles as possible, to such only as, in consequence of their extensive consumption, render it worth while to meddle with them, and, next, the greatest possible measure of combination and approach between customs imposition and home excise, were utterly neglected. So little was then the advantage of confining the tariff to but a few articles understood, and so strong was still the well-known leaning of the German mind to theoretical forms, even where there is no theoretical substance, that, on the contrary, the general rate of half a thaler on the hundredweight was expressly extended even to all articles not named in

the tariff. Of the ludicrous incident by which the career of this absurd regulation was terminated, hereafter.

Besides, the excellent principles laid down were by no means strictly adhered to. The prohibition of importation was upheld for kitchen salt and playcards, both remaining objects of taxation in the shape of state monopolies. Neither the maximum rate of the ten per cent. *ad valorem.* nor the uniform by its side of half a thaler on the hundredweight, were respected in the case of some foreign manufactured articles, whose admission on the home market was peculiarly dreaded by the native manufacturers; who had bestirred themselves, and had early lodged their remonstrations with the pusillanimous chancellor. Yet, with all this, the Prussian tariff legislation of 1819 would have been quite adapted to form the nucleus of a general European tariff reform, had it not been for an unintentional consequence of the otherwise very excellent method adopted in fixing the positions of the tariff.

They had namely been fixed exclusively by measure, number, or weight, and not *ad valorem*, which definition was applied to the maximum rate, *but nowhere else.*

It must have been anticipated, and, indeed, *was* anticipated, as I know from personal communications, even in those times, that the movement of prices with manufactured articles depending upon the progress of invention, has a general downward tendency, and that, in consequence, some positions of the tariff, originally beneath the maximum rate, were pretty sure soon to exceed it, and thus would get a more protective character than was intended. But there was then no difficulty in prospect to lower them, and the maximum rate of ten per cent. *ad valorem* had just this meaning, that it should guide the legislative power, then exclusively vested in the crown, in continuous re-adaptations of the tariff to the Free Trade principle, which was understood to have been laid down, once and for ever, as the law of the land. The Prussian political reformers of those times were all of them adherents of parliamentary

government. But seeing the difficulty of proceeding to its introduction at once, a difficulty which arose partly from the irresolute and apprehensive nature of the king's mind, partly from the exigencies of Prussia's position in Germany, where she was, as the German proverb has it, treading on raw eggs, they had hit upon the expedient of treating parliamentary government as understood, and merely adjourned to some date near at hand. This implied that everything had to be thus arranged as to leave as little margin as possible to the legislative power, still exclusively vested in the crown. In fact, they treated the state as a constitutional monarchy, which was only for the time being without Parliament, which was what Great Britain is between a dissolution and an election. Consequently they fixed by law, by which the king bound himself, everything that could be fixed. They fixed the public debt and the way to pay it off; they fixed the tariff, the excise, and the direct taxes; they fixed the salaries and even the rights of the functionaries to their places; nay, they fixed the Budget itself, balancing it beforehand, though, of course, this could only be done in appearance and by means of the surplus, which alone was anticipated, being ordered to be transferred irrevocably, cases of war excepted, to the treasury of the state. All this was settled between the king and his self-chosen advisers, the heir to the crown and the present German Emperor mostly being present; the latter voting in the Privy Council on the side of the strictest self-abnegation and economy. It was settled with confidence on the one side and with sincerity on the other. But man expects, God directs.

The story of the short life of the first European Free Trade tariff is soon told; it had to be sacrificed to the absolute necessity of cementing, by steps and before all commercially, the unity of the German fatherland. In the series of treaties by which the Zollverein was formed, the maximum rate had to be dropped. It had already fallen into abeyance, in consequence of the movement of prices and the natural disinclination to meddle

every year with the tariff, of which difficulty the reformers had not thought. A new Protectionist party, with distinct tenets, which Frederick List imported from the United States, soon sprung into existence, and exercised a sufficient influence on the governments of the minor states in the Zollverein, at least to render, with the *liberum veto* which these governments had reserved to themselves, every reform of the tariff, in the sense of the principle adopted in 1819, impossible. The old Prussian Free Traders, seeing a hopeless task before them, got wearied out, and death removed them one after the other from the stage. After 1840, the emboldened Protectionist party, constantly strengthening their organisation all over the Zollverein, proceeded from defence to attack, and succeeded in getting a duty imposed of not less than twenty shillings per ton on pig-iron, which had previously, as not fit for immediate use, been duty free; and of getting the duty on cotton-yarn increased. For their great cry, borrowed from the old Whigs in the United States, was: "Commercial war to the knife against *England*, the leech of nations!"

The provocation at once was met by a new Free Trade party suddenly appearing on the stage, first at Berlin, composed of altogether new men, who had no connection with the Prussian Government, nor with the remnants of the old Free Trade party; but, on the contrary, belonged to the Radical wing of the great Opposition, with whom King William IV., in his attempts to build up a limited monarchy of the mediæval stamp, had to deal. A short but lively contest, before 1848, soon showed on which side the strength was, and this much was early secured by public opinion being collected and compared in 1848, that further encroachments of Protection could not be risked in face of a people which now was represented.

But, on the other hand, the *liberum veto* still having remained the rule at the Zollverein Conference, after the Frankfort Parliament had failed to get a permanent existence, the victorious Free Traders were just in the same predicament as the defeated Protectionists; that is

to say, they were unable to bring about any alteration of the tariff in their own sense.

It is for good reasons that I have ventured upon this sketch of the earlier part of the tariff struggles in Germany. The reader will be able to appreciate it when hearing that Mr. Cobden knew every word of what he has just read, and had it very strongly in his mind at the time he consented to lend his aid to bring about the Anglo-French Commercial Treaty.

When the great Lancashire cotton-printer, who actually combined in his mind the innocence of the dove with the shrewdness of the serpent, had won the battle against those who combined the innocence of the serpent with the shrewdness of the dove, he set out, as will be recollected, on an extensive tour over the Continent, half for recreation's, half for observation's sake. He wanted to see, before all, what was to be expected from the Continent in the common cause, which he had so successfully advocated at home. Almost in every larger town, where the newspapers chronicled his arrival, he was welcomed by men, mostly not known to him before, who told him that they were engaged on the same errand as he had been, and that his victory had filled them with hope and had made them redouble their efforts. He found such men in France, he found them in Italy, and found them in Germany; he even found them in Russia. He could easily convince himself that he belonged to a widely-spread fraternity of men, thinking alike, judging alike, acting alike, and relying upon each other, though hardly any communications were ever exchanged between them. This gratifying impression, with which every Free Trader, in the full sense of the word, who has travelled much, is familiar, and which, to the uninitiated, assumes the shape of an enigma, which he attempts to solve by taking the Free Traders for some kind of Freemasons, induced him to believe that the example of England would be much quicker followed than has been the case, and that the *mere* example would be sufficient. Particularly his reception at Berlin and at Stettin—at which latter place he arrived

while the popular movement of Free Trade was in full swing, and where he was made the object of a great ovation—made him feel almost certain that Germany, at least, would very soon be found in the wake of England. Starting for Russia, he said while he shook hands with me, "That is the correct way. Always rely upon the men who keep accounts at double entry, and the best allies are those who have the best name on 'Change. All will go off well."

I had not quite so sanguine expectations, but thought at that time as little of the auxiliary usefulness of commercial treaties as he did. The very name of them was odious to me. Ten years later, conversing at London, we found that we had both alike altered our opinion. There lay the whole Continent still motionless, and America too. All round the horizon no encouraging symptom, except the evident desire of the Emperor Napoleon to render his people happy against its own will, and beyond its own comprehension!

Now let us dismiss all preconceived notions and let us be frank with ourselves. The novel form of commercial treaties, leaving it free to both parties to admit everybody else to the treaty's benefits, and at the same time to admit the other party to whatever benefits might be granted to a third (to which novel form the fortunate circumstance has led, that the French Emperor had become a Free Trader in London), *has re-opened the question*. Such treaties are the very reverse of the old commercial treaties; they are mutual pledges to *renounce* the latter. Once tried and found to answer, this form has become the pattern with which we must reckon. The circumstances, of which Mr. Cobden's sagacity has known how to make use, were extremely favourable, and are not likely to occur twice. But it does not matter. The Anglo-French Treaty has been, as events have proved, the first step in a great international movement. Mr. Cobden himself had some such notion in his head, but it was not that of making use of France for introducing a novel kind of commercial treaty. In his idea, she was the ram

that was to jump over the Free Trade stick to make the whole Continental herd follow. He could not get it out of his head, because fashion spreads from Paris, that opinion on legislative questions does so too. In this he was grievously mistaken; the time is many years gone by since France could set political fashions to other nations; and France, in fact, did not jump at all over the stick. The present French tariff would be the reverse of a Free Trade reform with the neighbours of France all round, Spain excepted. But what was really gained for the Free Traders lying in ambush all round the French frontier was the alliance of the manufacturers in their respective countries desirous of sharing with the English manufacturers the advantage of the French market, as far as it had become open. On the part of these manufacturers, the alliance with the Free Trade party—up to that time chiefly composed of men of learning, with the merchants, and shipowners, and the agricultural interest behind—meant nothing but just to secure a treaty that would open the French market to them, as it had been opened to the English. But the alliance with the Free Traders was not to be had for that. In Germany the condition *sine quâ non* was that the tariff reduction on the German side should at once be made universal, without regard to the country from which the goods were imported. The German Free Traders did not wish that Germany, in the treaty between Germany and France, should play the part which France had played in the Anglo-French Treaty, but that which England had played. And the condition was willingly accepted by the allied manufacturers, as well as by the government, only that the government begged permission formally to exclude, for a short time, Belgian and Swiss produce. For this was necessary to give semblance, at least of the treaties then already in progress of negotiation with these two states, being treaties implying *mutual* concessions. The German Free Trade party, who could absolutely rely on the negotiator, Herr Delbrück, and on the good faith of the Prussian Government, Count Bernstorff being then

Minister of Foreign Affairs, willingly consented to this, feeling quite sure that, even should one or the other treaty fail to be concluded, the reduction of the tariff could and would be made general, notwithstanding.

Thus the novel form of commercial treaties was artfully brought about in two steps; the first owing to Mr. Cobden and M. Michel Chevalier, the second owing chiefly to the German and Belgian Free Traders. No particular conspiracy had been necessary for that. Every one of the wide-spread volunteer force knew at once himself what he had to do, and every one knew what the other would do. No doubt Europe, to a certain extent, has been taken by surprise. It looked as if commercial treaties were made as of old; what, however, was made, was *Free Trade*, nothing but Free Trade, as much Free Trade as could be secured on the occasion, here a bit, there a bit—if summed up, a good deal altogether—and yet by far not enough!

It is no longer necessary to keep up even the semblance of such commercial treaties as, in olden times, had the character and purport of mutually admitting the subjects of the two contracting states, as sellers, to their respective markets. That was a mere dodge, good for the beginning, and which only the French Free Traders, whose position in their country was and *is* still the weakest, were compelled to adopt. Treaties may now *at once* be clothed in that form, which, as was privately understood, the original Anglo-French Treaty, was destined *finally* to receive on *both* sides; namely, that of contemporaneous reduction or abolition of protective positions in the tariffs of the two contracting parties, without reference to the difference in the national origin of the article. Experience has shown that the *political* advantage—for it is exclusively political—of the alliance of such producers as feel themselves strong enough for competing in the foreign market, may thus be secured for Free Trade reforms just as much as if exclusive advantages were offered to them. That both contracting parties become *tied*, for a given time, to the respective tariff reforms on which they have agreed, is an advantage

into the bargain. It helps over the danger of a reflux of public opinion arising from the trials of the first years. There is no law of political economy that does not want some time before its beneficial action can take place in full swing. In particular, division of labour wants time for supplanting competition. Whoever resolves upon Free Trade instead of exclusion *must* resolve at once upon extending the experiment over some time. He therefore sacrifices no liberty of action, if he binds himself to do so in the face of another.

Commercial treaties have been changed into agreements of two states, conjointly to reform their customs tariffs with regard to such remnants of Protection as have obstructed the development of a healthy division of labour between them more in particular. There are as yet many years of gradual and piecemeal tariff reforms before Europe, not because it is required, from any reason borne out by science, to proceed gradually, but because the public mind but gradually awakens, after a general hallucination, so protracted and inveterate, to perceiving again the truth in its grand simplicity. Now and then some lucky incident assists the quiet but assiduous labour of those who have understood what is by far the foremost duty of our age; and accelerates, here or there, the mighty reform in progress. I am about to give an instructive and amusing instance. The part which repeatedly has been played by such accidental help is one more invitation, not solely and proudly to trust to the victory of reason, but to try to *find* whatever help can be found. For, mind, it is not for reason's sake that we Free Traders advocate reason, but for the sake of the toiling multitudes everywhere of all those that are burdened and suffering—may they thank us for it, or not. Every delay, therefore, that can be avoided by strategy, ought to be avoided. To anticipate the complete victory of reason by using strategy is fully justified in this case, morally as well as practically. For this is to be borne in mind, too, that what has been refused to argument, *must* be conceded, afterwards, as soon as the finger can be laid—statistically—on the actual results

to which the reform, brought about how it may, has finally led.

Now to the story of the incidental assistance, spoken of above. One fine morning in 1864, the Prussian Minister of Commerce, Count Itzenplitz, who still occupies that place, took the House of Deputies of the Prussian Landtag by surprise, by soliciting their assent to an isolated measure of tariff reform, certainly never heard of before. He did not attempt to justify it at all, for in this case there was, as the reader soon will see, not the slightest necessity for it. He begged namely to be authorised by the House to propose to the Zollverein Conference, that henceforward *sea-water* might be imported duty free across the land frontier.

The members did not know whether they could trust their ears. Here and there they got up from their seats, leaning forward and crying, "What? Say it again! Not understood!"—and the like. Whereupon the minister related that it had become necessary, in the previous year, to stop by order in council—the sanction of the Landtag being reserved—the general import duty of half a thaler on the hundredweight upon sea-water, imported by rail across the land frontier at Wittenberge from Hamburg, and at Emmerich from Rotterdam, for the oyster-shops of Berlin and Cologne and for other uses.

The communication was received with roars of laughter, in which our jolly Minister of Commerce heartily joined. Now that laughter was a stroke of the public clock, conveying the admonition, that the hour of Free Trade once more had come. So I got up and asked the minister how it was that the custom-house officers so grossly had neglected their duty, as not to charge the water of the rivers Rhine and Elbe with toll, where they enter the territory of the Zollverein? How advantageous it would have been to the revenue, to have got half a thaler from every hundredweight of their water! And then I enumerated all the good things that the custom-house officers—in the discharge, with true Prussian conscientiousness, of their duties—might still treat as sources of revenue on their passage of the frontier; for instance,

man himself, weighing him and making the fat pay more than the lean. I concluded by suggesting to the government, to alter their tactics and to propose to the Zollverein Conference not merely the abolition of the duty "on sea-water and *other* water except *mineral* water" —a definition, by the way, unrivalled in its exactness— but the abolition, at once, of the whole general import duty, on articles *not named* in the tariff.

"Of course," said the whole House, *nemine dissentiente;* and "Of course," said the minister himself; and Prussia made the proposition, in this form, in the very same year to the Zollverein Conference; and "Of course," said the whole Zollverein Conference; and in 1865 it could be embodied in the new customs tariff law, which resulted from the commercial treaties, that the theoretically profound but practically absurd machinery of a customs duty on weight, pure and simple, substance as yet unknown, had ceased to exist. This had been *no* result of the commercial treaties; neither the French, nor the Belgian; nor any other negotiator in a position to raise postulates, had scrutinised the German tariff with sufficient care, to discover a regulation tending to intercept international commerce perhaps in many commodities as yet having no name, for the simple reason that, as yet, they do not exist. Or if any one of them has known it, but has thought it hopeless to plead its abolition, I beg his pardon. But it has been the result of political strategy being *not* disdainfully scorned in the great cause of international Free Trade.

For the gist of the story is still behind, and had to be kept behind at the hour of decision. There *was* a new commodity at that time, that had but just received its name, but as yet was named in *no* tariff. I do not know who else in the House of Deputies at that time was aware of it; I only know I was. The Prussian Government and the whole Zollverein Conference, as has later been proved, certainly were not. That commodity was nothing less than *petroleum*. Petroleum, which had already been imported into Germany, but not in large quantities, and which was burning on my own

writing-table, was made duty-free by the abolition of the general import duty. The government, in later years, when the blue casks from Pennsylvania were landed on the shores of Germany in really colossal numbers, proposed to the North German Reichstag to reimpose a special duty of half a thaler on the hundredweight of petroleum. Did not they wish they might get it? But in vain they pointed to the fact, that oil and tallow, which had a position of their own in the tariff, were charged with such an import duty, and that there was no reason for the rival article for feeding the lamps of the rich and the poor, for lighting workshops distant from towns provided with gas, for lighting the streets of smaller establishments, in which a gas manufactory will not pay, being treated differently and better. The Reichstag proved deaf to all such arguments, and refused to take the responsibility of any alteration of the existing state of things, not founded on a clear principle of taxation. And rightly so. Could they know whether the proposition of a gas-tax would not follow that of a duty on petroleum? and was it correct to prejudice the question whether light is a fit object for taxation? And are not oil and tallow produced at home paying no excise, as well as imported from abroad? Taxes on consumption are indispensable and so far just, that they make everybody contribute for the protection of society, according to the personal advantages he derives from society. But then they must be *clearly* taxes on consumption, without any difference being made between home and foreign produce. The real question is between voluntary and necessary consumption, and between reproductive consumption and waste. But it can only be satisfactorily settled, when the fearful disorder into which excise and customs have been thrown, by quackery and still more by the universal madness of pretended protection to native enterprise and labour, is remedied, as in England very nearly is the case, by the establishment of absolute Free Trade with all other nations.

Thus the general import duty on articles not named in the tariff, after a comparatively harmless existence of

forty-five years, was snapped from the hands of the German ministers of finance and ministers of commerce—as far as the latter were or are still Protectionists—just at the moment when it threatened to become useful or injurious, as one views it.

The first advantage, apart from the consumers of light in Germany, was one for the export trade of the United States. It is for *them* that I had smuggled—by speaking in time and holding my tongue in time—all the petroleum that since has come and still will come to Germany. May it be taken to heart in Pennsylvania. Next to that by France, the consumption of petroleum by Germany is by far the largest. Like the French, we cannot have gas everywhere, and our winter nights are long. Petroleum is not without powerful competition in our country; the so-called solar-oil and the paraffine, extracted from peat-coal, chiefly in the neighbourhood of Halle, are nearly as good, and nearly as cheaply produced, if the freight be added to the American cost of production. They are now sold as petroleum to a very large extent, and much money is made by it. We too have our petroleum-lords, as they are called by the Paris people, nicknaming thus spendthrift Americans. The quantity that could be produced is next to unlimited. The scales are so nearly balanced, that a feather's weight would be of influence. Had the duty of half a thaler been preserved, it would have been far more than a feather's weight. It has gone because we Germans were wiser than the Americans in our place would have been. Is it not felt in America how degrading it is to have to submit to being told this under such circumstances?

The loser, to a certain extent, was Russia, as the country from which the chief imports—at least of tallow—come to Germany. The competition of the two articles is but partial; but it is true that to a certain extent Russian interest was sacrificed to American. If Russia will but be a good and reasonable child, the wrong may yet be repaired. Perhaps she does not care much about it. Then she ought to care about other things besides the welfare of her people—about her good

name in Europe. Nations judge one another by what they see of each other, and the first things they see of each other are their respective tariffs. The greater or less conformity of the tariff to the rules of science is a test of the *mathematical intelligence* of the government of the country. In Germany our staff-officers, as trained mathematicians, as far as they have reflected on the question, are Free Traders to a man, and always were so down from 1808. A general it was, and a very clever one—old General von Prittwitz—the builder of our modern fortresses, who first marshalled the young Free Trade school, just as General Thompson has done in England. Now just let the Russian Government reflect what these German staff-officers think of their mathematical acquirements, when they consider their commercial policy! Russia is a country *governed* mainly by scientific military men. Even her ministry of finance includes generals, and that very learned ones, perfectly initiated in political economy. Is it not their duty not to rest till the scientific character of the Russian Government has been made visible to Europe first of all along the Russian *frontier?*

The tariff of 1865 having become the law of the land, it was at once understood and avowed—the government being a party to the understanding—that we did not mean to stop there. Just as further reform was reserved in England in 1846, so it was in Germany in 1865. The way was pointed out by the experience made. As far as the state of the finances and of public opinion would allow us to advance, without the assistance of commercial treaties, it was understood that they should be dispensed with. This could not be considered as the case with regard to reforms treading upon the heels of the one just carried. Were we not to relinquish the idea of following up our advantage without loss of time, then we had to turn our attention in the first instance to further commercial treaties. Casting our looks round on the Continent, we saw Austria, Russia, Spain. Austria, of course, had the first claim on our attention, and our tariff was still in a state fit to

tempt her with offers in exchange for demands. But, unhappily, Austria, in 1865, had no sisterly feelings towards us. I can now say, *we* had them, all of us, from the monarch down to his most insignificant subject; but we could not, all of us, help reading our political duties towards Germany, with her then still dark future, far otherwise than seemed compatible to the Austrian Government, with what they believed to be Austrian interest. We Prussians are the sons of fathers who had left us an inheritance of duties—of nothing *but* duties—impressed on the soul of the nation in a time that never ought to return. We have not played at soldiering all of us, and have not drilled our limbs in gymnastic schools, for no object. We knew always that we *intended*, and intended it as a duty, what possibly might lead to any one, or any two, or perhaps all three of our powerful neighbours challenging us to a fight. The Frankfort Parliament in 1848 had given warning of it to Europe when there was *no* King Wilhelm on the Prussian throne, and *no* Bismarck his adviser, and it had foreshadowed the public opinion in Germany of to-day. *We* could not help that others, and Austria in particular, disregarded it. We rather wished that it would have been otherwise, and regret—at least I do to this very day—that war was chosen by Austria out of the Prussian uplifted and folded toga. For us German Free Traders the danger of an impending rupture was but one reason more to prefer a treaty of commerce with Austria, if that was possible, to all others. And early did I communicate to Mr. Cobden that such a treaty was our next intention; but that I was afraid of its being extremely difficult to bring it about. In the meantime Mr. Somerset Beaumont had done his best at Vienna to pave the way for an Anglo-Austrian Commercial Treaty, and though England could hardly offer anything in exchange, while we could offer a great deal, the negotiation of such a treaty could be commenced, perhaps favoured by that very state of feeling at Vienna which rendered it so difficult for us Prussians even to show our good-will.

Here occasion is given to look still deeper into the effectiveness of the stratagem to accelerate the progress of international Free Trade by means of commercial treaties, which are only the *semblance* of what commercial treaties once were. Where one ring of the chain for the time being must be left out in consequence of political jealousy between two states, it may sometimes conduce to both being all the more ready to listen to propositions coming from third parties. Thus even war itself may sometimes be turned to account in promoting international Free Trade, if its cause be but carefully watched. Here we see England filling a post which, in peaceable times, Prussia would have had to fill, both remaining good friends all the while; all that had to be changed was the *sequence* of Austrian treaties, destined to form together an Austrian Free Trade reform; for the war being over, and the Anglo-Austrian Treaty a fact, the Austro-German one followed in 1868 as a matter of course. If people are bent upon quarrelling with each other, *we* cannot prevent them. But what we can do is, to turn even their quarrels to account. Let quarrelsome gentlemen make history in *their* way; we, in the meantime, make it in ours. In later times only it can be seen who actually *has* made history worth the record, he who has moved, or he who has *abolished* frontiers; he who has altered the political dress, or he who has altered the economic structure of Europe.

The commercial treaty of 1868 between Austria and Germany, brought about not without the help of an Austro-Hungarian Free Trade party—fruit of the exertions of Mr. Somerset Beaumont—constituted for Germany another by no means inconsiderable tariff reform in the direction of Free Trade. It extended over not less than sixty-two different positions of the German tariff, perfect abolition of the duty taking place in eight cases. The duty on pig-iron was reduced from 9d. to 6d. per hundredweight, on raw steel from 2s. 6d. to 1s. 6d., on flaxen yarn (not bleached) from 6s. to 1s. 6d., bleached from 9s. to 5s., on ropes of hemp (bleached) from 12s. to 1s. 6d., on articles of india-rubber from 30s. to 12s. and 21s., on white

porcelain (painted) from 12s. to 5s. This is what about concerns English industry. This will tend to show how the stipulation, embodied in *all* the modern treaties, that the two contracting parties have a claim to be treated as the most favoured nation, makes almost every new treaty between two states confer *some* advantage at least on the export trade of almost any other country; and that England, before all, has an interest in any new treaty between two states, and *therefore ought not to allow the practice of such treaties as yet to fall into desuetude.*

Hardly was the ink dry on the Austro-German Treaty—it was signed on the 9th March, 1868—when the German, then North German, Government, set to work again to carry further the Free Trade reform of the tariff, with or without the help of another treaty directly favouring our exporting industry. It appears as if the consent of the other Zollverein States to a reform without treaty had been secured, by holding in prospect to re-establish, as a financial equivalent, the petroleum duty of half a thaler on the hundredweight, which all of them had so thoughtlessly given up in 1864, without being aware of it. Already, on the 7th of May, Herr von Bismarck, to whose indefatigability in this respect the future owes much, could propose to the Parliament of the Zollverein, speaking in the name of the presidential office of the Zollverein, a new tariff reform, rendering duty-free not less than forty-five articles, reducing the duty on twelve, and imposing a duty on one only, namely, on "mineral" oil, which rather unscientific description was intended not to signify oil yielded by fossil plants, but oil yielded by fossil animals—that is to say, petroleum. The proposed duty on petroleum proved the stumbling-block, in Parliament, of the whole measure. Had it been carried, the progress—the petroleum being left apart—would have been considerable. The forty-five articles proposed to be made duty-free included a great variety of chemical produce, chloric acid among others, manufactured in England. The reductions equalised the duty on unbleached, bleached, and coloured cotton-yarn, less than trebly twisted;

reduced the duty on yarn, twisted trebly or more, by one-third; and lowered it on net of cotton and similar fabrics. A reduction of the duties on copper wire-work, on a variety of articles made of flaxen yarn, on candles, on compound beverages, &c., had likewise been proposed. The measure, to which the Protectionist party hardly took the pains to offer opposition, broke down because the support of the *Free Trade* party was wanting, on account of the duty on petroleum, on which the government insisted. The government itself had acknowledged, in the comments by which the draft of the bill was accompanied, that the rule for a justifiable taxation on consumption was to confine it to *voluntary* consumption. Now the consumption of artificial light, in a civilised community, is *no* voluntary, but necessary consumption; and if the second test of a sound tax on consumption be applied, the result is the same; the consumption of artificial light is *no* waste, but reproductive in the highest degree, and its curtailment by taxation is consequently slaughtering the chicken that lays the golden eggs.

An attempt to draw Russia into the vortex of the international movement, expressed in the modern treaties, which attempt was once more conjointly undertaken by English and German official as well as volunteer forces, having likewise failed about the same time, we German Free Traders resolved once more to enter the road of public agitation at home.

I beg particularly to notice what took place subsequently; for it is desirable that all doubt should be removed in England about with what kind of men and with what government England would have to deal, should my idea of *a new Anglo-German Commercial Treaty* find favour in England, as it certainly *has* found it in Germany.

The congress of German political economists is the central arena on which we German Free Traders are wont to test the practical force of our arguments and the incidental strength of the single case, and where we formulate our next demands in preparation for the par-

liamentary campaign. As every one has access to our Congresses who complies with the regulations, full opportunity is given to divergent opinions to clash against each other. The divisions, though, of course, testing divisions only, have exercised, during these last twelve years, an influence on public opinion and legislation in our country, almost without parallel in the history of public life. They have contributed more to shape the law of the Empire, as it now is, than all the Landtags and Chambers of Germany put together. There is but one Englishman who for the last ten years almost yearly has attended the Congress, and that as a member, and who, in consequence, alone is fully conversant with the historical importance of the Congress. And this lonely Englishman is *no* member of the Cobden Club, for, though an ardent and old Free Trader, he is a *Tory*.

The Congress is a wandering one, and selects every year another city for its sittings, excluding the capital, from whence it is directed. Care is taken that there is some link between the place selected and the particular questions about to be discussed. Such place is preferred as promises the largest possible gathering of opponents to the resolutions, prepared by the designated reporters on the various questions. The great battles deciding the entry of Germany into the system of modern treaties, were fought in 1860 at Cologne, and in 1861 at Stuttgart; the one the centre of the metallurgic industry of the Lower Rhineland, the other the stronghold of the South German Protectionists. In 1868 the capital of Silesia, Breslau, was selected, as that province is the seat of an iron industry, founded, like that of England, on the propinquity of iron-ore and coal mines, but protected by the tariff against English competition. It fell to my lot to propose the total abolition of the duty on raw iron of sixpence on the hundredweight, still left standing to that extent by the Austro-German Treaty, and selected by us as a peculiarly important position, once more to measure the comparative force of attack and defence. The proprietors of iron mines in Silesia

were present, and defended their cause with remarkable ability, taking their stand on the assertion that their metallurgic industry, unlike that of the Rhineland and Westphalia, had been called into existence by that imposition of a shilling duty on raw iron in 1842, with which imposition they themselves had had nothing to do, but which the covetousness of the Rhenish people had brought about. Count Bethusy-Huc, as their most prominent spokesman—he is leader of the Liberal Conservatives in the Landtag—fully acknowledging the wrong done by protection to industry in general, by the exclusion of the play of natural selection, by fostering what is unhealthy while starving what is healthy—pleaded, not against Free Trade, but for justice, or rather mercy, to those who had been misled by the faulty commercial policy of the state. The greatest wrong that protection was doing was done to the weaker part of the protected industry itself. It was but just to leave time to it, by the warning preceding the action a long way, to extricate itself by degrees from the unhealthy practices and dispositions into which it had been lured.

But the adversaries of uncompromising reform were once more beaten by an overwhelming majority. This one victory was sufficient to show the government that its defeat in the Reichstag was not brought about by any relaxation of the popular will to proceed with further Free Trade reforms. It at the same time pointed to what article should not be left out in the government propositions, if they wanted to strengthen their case. It did *not* devolve upon the Congress to point out, at the same time, what would have been a better financial equivalent for the necessary sacrifice of revenue, than the re-establishment of the petroleum duty. Abolition of taxes may form the object of private efforts, imposition can be proposed by government alone; that is the Free Trade and the constitutional, the reverse is the Protectionist and the Absolutist practice.

The way by which the government henceforward proceeded, though in my opinion far too timidly, was correct and practical. In 1869 they brought forward a

measure, equalising the excise duty on beet-root, and the customs duty on colonial sugar, by a little increasing the first and greatly reducing the second. Apart from the question whether the consumption of sugar is a fit object of taxation, this constituted a great step in approaching the correct *form* of the taxation of consumption. It is self-evident that every customs duty on an article, not merely imported but also produced at home, be it even in the shape of an inferior substitute, ought to be accompanied by a sharply and conscientiously calculated corresponding excise duty. This is necessary if consumption is to be taxed for the benefit of the exchequer, and not for paying premiums to unhealthy enterprise; perhaps wasting the proceeds of the premium, and, at all events, attracting the national capital, and thus keeping it away from the right, and directing it into wrong channels. If the consumption of the article be indubitable waste, and an excise duty upon it beset with uncommon difficulties, as in the case of tobacco, the choice is free between trying the excise duty, as Germany does in this case, and forbidding the home production altogether, as England has preferred to do, in face of the greater temptation to smuggling, connected with the much higher rate of her tobacco tax. But the choice is *not* free, as soon as the consumption of the article is *not* altogether waste, or is not yet with certainty proved to be such; for in all such cases it is *not* allowed to curtail the opportunities for production. The countervailing excise duty, then, is the only alternative left. Concerning sugar there can be no doubt that its consumption is *no* waste. Our government, in its able comments on the measure proposed in 1869, has even openly confessed that it has its doubts about the consumption of sugar being a *voluntary* one. It only risks to assert that *as yet* it is voluntary with the great bulk of the German people, but does not undertake to pretend that with the unceasingly rising and improving standard of life it always will remain so. Here, then, was just the position of the tariff, at which to try to what degree of exactness the equalisation of a customs

duty, and the countervailing excise duty, may be carried, what is the safest way to arrive at it, and by what principles the inquiry is to be guided. I will confess at once that I am now enlarging upon this with a very distinct object in view, of which hereafter. For the present let us record that the German Government thought it their duty to conduct the inquiry, while allowing the interested parties on both sides, the refiners and importers of colonial sugar at Hamburg, and the manufacturers of beet-root sugar of Magdeburg, to bring forward what evidence they believed to have on their side, and that the chemical analysis, and whatever other inquiry into the respective manufacturing processes took place, and that at once on the largest scale, at Cologne, where *both* branches are represented. The measure was carried with but slight alterations, in spite of a tenacious opposition of the beet-root interest. The result has been a rise of the receipts from the tax on sugar, in consequence of the slight augmentation of the imposition on the beet-root wort; and no injury to the prosperity of the beet-root sugar manufactory, which is fully able to keep its ground against the colonial produce, has ever been heard of since.

The government attempted at the same time, but *without* success, to reform the excise duty on spirits, on which I shall have to treat hereafter.

In the spring of 1870, the government was ready with an improved measure of general tariff reform, in lieu of that which had been shipwrecked in 1868. A financial equivalent for the sacrifices of revenue, the new ones as well as those which the treaty with Austria had included, one that was acceptable to the national representation, had at last been discovered. Its most important part was formed by the duty on coffee, which is to Germany what tea is to England, being increased from 15s. to 17s. 6d. on the hundredweight.

Now this was quite in accordance with the principle of taxing only such consumption as is voluntary and as is waste. Liebig has developed, in his "Organic Chemistry," how the alkaloid contained in tea and coffee is

innocuous, but also useless to the human body. Its produce in the body is what he calls vegetable bile, and may altogether be dispensed with, as its function is otherwise provided for, where it is not formed, and that without any special expenditure for the purpose; consequently, the consumption of coffee and of tea, apart from the hot water, the milk, and the sugar, is *waste*. The consumption, besides, is *voluntary;* for, though it is true that the habit of drinking tea or coffee is not easily got rid of, just because the body has got disposed to and relies in its daily economy on the formation of vegetable bile, families are free to *adopt* the habit or not. Man, in resolving to expend, has not merely to look to the day's, the week's, the month's expenditure, with which he burdens himself, but before all to that with which he burdens himself, perhaps, for his lifetime.

This increase of the duty on coffee was hardly worth mentioning, though the irreconcilable part of the political opposition made a furious noise about it. It amounted to hardly more than one-half of the reduction made as late as 1853, not because anybody in what was then the Zollverein wanted it, but for facilitating the entry of Hanover as a state having previously known much lower duties on colonial produce. The best proof of the insignificance of the new burden was, that the public out of the doors of the Reichstag did not stir. A rise of the price of a pound of coffee of not much more than a farthing (3 pfennig = $\frac{3}{10}$d.) was looked forward to by the people with perfect equanimity. The strong phalanx of Free Traders in the Reichstag knew at once what they were about; yet, being not quite content with the bill of fare of abolitions and reductions of customs duties that, according to the government proposal, were to form the set-off, they preferred to keep their final decision in suspense, for being able to squeeze out more from the government.

The proposal included, namely, reductions of nearly all the various positions of the duty on articles made of iron, but not on raw iron, where protection had still the

comparatively greatest practical effect. It would seem as if our proprietors of high furnaces, by their wailings, had succeeded once more in averting, for a short time, the decisive stroke from their heads. That the time of the total abolition of the duty on iron must come and will come, they cannot possibly doubt; so they are acting like the dog who begged his master to cut off his tail in slices, to make him more easily get over it. I do not believe that a single high furnace will have to be blown out in Germany, even if every vestige of protection is taken away. There will be a very rapid rise in the price of raw iron in England and Belgium, caused by the German consumption of iron on the head coming soon up to that of these two countries; and, consequently, no decline of the price in Germany; on the contrary, perhaps, an early rise. But this is what they do not comprehend, in spite of the teachings of experience. So they clung to their sixpence as they before clung to their ninepence, and, still earlier, to their shilling. But here the Free Trade party were inexorable, and it was extremely difficult to get the concession from them, that the new slice to be cut off once more was to consist of threepence only. This was the compromise proposed by government, and finally accepted. So there is now but one slice left of the tail, neither useful nor particularly ornamental. And for that to have to submit to one more cut!

The number of articles proposed to be made duty-free had swollen, in the new draft, from forty-five to fifty-one; the number of articles on which the duty was to be reduced, from twelve to thirty-one. Among the latter were, as hinted at before, the duty on iron in bars to be reduced from 2s. 6d. to 1s. 9d.; the duty on raw steel, on part of the coast of the Baltic, from 1s. 6d. to 1s.; the duty on iron in masses or prisms from 1s. 6d. to 1s. 2½d.; the duty on raw steel on the remainder of the frontier likewise to 1s. 2½d. The duty on all other articles of iron, formerly taxed with 3s. 6d., was proposed to be reduced to 2s. 6d.; all such as had paid 5s. 3d. were now to pay 3s. 6d.; iron pipes,

instead of 7s. 6d., were to pay 4s.; and other ready-made articles of iron and steel, of grosser kind, instead of 8s., likewise 4s. The duty on the more refined articles, of the same material, was not touched.

I cannot, I confess, refrain from laughing while writing down this careful classification of a species of manufacture altogether unfit for taxation, and the amount of the reductions which Germany has taken the courage to risk. Yet, as a step forward, it was worth something: was courage, sure to beget further courage. England has done the thing in two big strides, separated by fourteen years of experience; we already have made three, and yet have many more to make. But we made the three in six years, and if we can make three similar ones during the next six years, we shall be in twelve years where England was in fourteen.

The measure went through the Zollverein Parliament with the Free Trade amendment, and with an insignificant Protectionist one, leaving the duty on bleached and coloured cotton yarns what it was. It became law on the first of October of the same year, when the fruit of the earlier labours, the Franco-German Treaty, existed no more!

It does not matter, and even should the *Anglo-French* Treaty fall a victim to the incalculable turnings of French history, it would not matter, provided the necessary precaution in securing Mr. Cobden's far more important *posthumous* work, namely, the remainder of the modern commercial treaties, be taken in due form and time.

I pray the reader now to follow me a little into the diplomatic intricacies of international Free Trade, which would not exist could it have been avoided.

In the modern commercial treaties the so-called "concessions" exchanged between the two contracting parties are either clothed in the form of a series of substantial tariff positions, in distinct figures, understood to be the *maxima* of customs imposition on the articles named, to which the one party binds himself, as far as these articles are the produce of the other,

or they are clothed in the form of the so-called most favoured nation clause; that is to say, the obligation of either of the two contracting parties to treat the produce of the other, in imposing duty upon it, at least as leniently as he treats the same produce of that nation whose produce he treats best.

The practical bearing of these two forms is by no means equal. As far as a distinct maximum rate, expressed in figures, is the substance of the agreement, it can only be got rid of again by the treaty being allowed to expire at the conclusion of the period for which it has been made, or by its being destroyed by war and then not renewed. The maximum rate has become the property of the *public* in the two states; every one of their subjects has a right to it, at least where the theory of governmental and parliamentary omnipotence is not practically enforced. It is worth recording that it practically never *did* sway in my country, not even when it was an absolute monarchy; the legislative power, the crown, then considering itself, as a rule, bound by its own laws, and bound to the time they were given for, if they *were* given for a distinct time. But even where the omnipotence of legislation forms the national faith, a treaty including substantial maximum rates, is a very different thing from a treaty containing nothing but the most favoured nation clause. For *two* parties are necessary in the former case for the duty once more being raised beyond the maximum rate, while in the latter case either state may do it without asking the other, provided it does it irrespectively of the national origin of the produce.

Treaties containing maximum rates in distinct figures, prevent or render more difficult the return to protective duties; treaties confined to the most favoured nation clause prevent the return to differential duties only, but permit the return to protection against the foreigner in general.

The Anglo-German Treaty is a treaty exclusively of the latter kind; the Anglo-French and the Franco-German Treaties were drawn up in such a form as to combine substantial tariffs, containing the maximum

rates of duties allowed to be laid by either party on the produce of the other, *with* the most favoured nation clause. The two last-named treaties being of this description, the most favoured nation clause was deemed a sufficient security in the Anglo-German Treaty for the English producer always sharing in the benefits of the German, and the German producer always sharing in the benefits of the English free trade reform. For this clause secured the English concessions in the Anglo-French Treaty to Germany, and the German concessions in the Franco-German Treaty to England. It linked the two treaties together, and thus constituted the third. The same expedient was resorted to in the later treaties, a treaty with France usually forming the pattern treaty, containing the real substance, namely, the tariff of maximal rates accorded by the state contracting with France to the produce of that country; a supplement to the French tariff as already modified by other treaties to which France was a party, that tariff being expressly mentioned in its totality *and* the most favoured nation clause. But most of the further treaties between the states having contracted with France contained in substance only such of the respective tariff positions as had been agreed upon to be reduced still more than they before had been reduced in the respective treaties with France, and contained no reference to the remainder of the two tariffs, the most favoured nation clause being deemed sufficient to secure to either party the participation in the benefit of all the reductions conceded in former treaties by the other.

This evident fault, which made the substance of many treaties—as, for instance, the Anglo-German Treaty dependent upon the continuance of both the contracting nations' treaties with France—was mended by Germany and Austria in the treaty which in 1868 they concluded between them. The complete tariffs of both states were once more made to enter this treaty, as maximum rates, obligatory on both, till the 31st of December, 1877. Thus the treaties of all other nations with these two states are, in consequence of the most favoured

nation clause, even in *substance*, safe till that date. The Austro-German Treaty is now by far the strongest and most important *international* bulwark against Protectionist reaction. It secures so much of liberty of international division of labour, as the two German powers have thought fit to admit by it, to their own seventy-five millions of subjects for the space of still more than six years, and secures it likewise to the subjects of all such states which have concluded treaties containing the most favoured nation clause with the two German powers as long as their treaties with Germany will run.

Consolatory as this is for us at present, it is yet not what we German Free Traders are quite content with, neither with a view to the most rapid progress, nor even with a view to the safety, in future, of Cobden's important and promising international achievement.

For we are now obliged, if no other way be found, to look almost exclusively to negotiations with Austria—and that hardly before the year 1877—for securing further reforms of our tariff with the assistance of direct and distinct advantages held out to our exporting industry. It may be that some limited reform may yet be carried without any such assistance; but I will openly confess that, if not more difficult, it has become less certain than it was before. Instead of the North German Reichstag and the Zoll-parliament, we now have to deal with the German Reichstag, whose future composition will depend far more on political than on economical predispositions of the constituencies. This needs not imply a reinforcement of the Protectionist party in the Reichstag, but perhaps a disinclination to meddle, *without outward impulse*, with the tariff, as taking away time and toil from what may be considered more urgent affairs.

France, as recent days have but too clearly proved, can—for at present and perhaps for a long time—no longer be counted upon at all, least of all by ourselves. Of the United States we dare not think; to gain them over, if it be the foreigner's business at all, is the business of England, their mother. Russia, as English and German have had to convince themselves, is as yet but

little accessible to appreciating that she has enormous interests in common with other nations.

In Austria, it is true, the free trade movement has taken root, and, as far as we can see, is prospering. Yet I must be pardoned in saying that as yet one cannot be expected to feel reassured about desirable reforms of his tariff that are dependent upon free trade victories in Austria.

Besides, the relation between Austria and Germany is —and will always be—an eminently political one, either peculiarly intimate, or characterised by distrust. The one alternative can prove almost as injurious to the objective treatment of negotiations, having new commercial bonds in view, as the other. Intimacy is apt to prompt the demands of bonds, *exclusive* between the two states; distrust looks with a dimmed sight even on bonds *not* exclusive. The gospel of Free Trade inside an Austro-German Zollverein, or something approaching it, with a free trade customs frontier between the two states and a protective one all round, has been preached before, in Austria as well as in Germany. And the Czechs, on the other hand, look upon free trade with Germany as the certain road to their national absorption.

All these considerations make us German Free Traders of the school that knows of no adjournment, no compromise, and no surrender, desirous of having substituted for the original treaty with France, which, to us, was a mere *pis-aller*, to which we never fully trusted, a *new, safe, and substantial treaty with England*, enabling us at once to recommend to our people, in combination with it, the more decisive and urgent reforms of our tariff, such as will most benefit the German consumer and the English producer, and which treaty, at its renewal in 1877, shall then become the means of putting our own house fully in order, and of securing the order, *now* to be completed, in England itself.

But is there really yet something to be completed in England in this respect?

I will attempt to show that there is, and that it so happens, that the only exception which the English tariff

still offers to the application of the principle of freedom of international trade, is one that affects now exclusively *our* exporting industry, and that the case at the same time is one which, with a view to a truly scientific solution of the problem of the tax on consumption, has a claim to a far more conscientious inquiry, than to what it has been hitherto subjected, either in England or in Germany, and still less anywhere else, and that it has a claim not merely to national, but to *international* inquiries, in the harmonious interest of all parties concerned. For I am far from attaching any other value to my own impressions, as yet unaided by English advice as I had to form them, than that they are the unbiassed impressions of a political economist, who has proved, during the last quarter of a century, that he is hopelessly deaf to whisperings of national greed in scientifical judgments. I feel it sorely that I cannot write English like an Englishman, or at least as I can write German, to be able fully to impress upon the reader, how far from prejudice is the motive which has dictated what he is going to read. My object in communicating my impressions is for at present only to support the demand of England agreeing to an Anglo-German international inquiry into an as yet obscure point, connected with tariff legislation and commercial treaties, and thus to set an instructive example to the whole world.

A remnant of protection in the English tariff, in my judgment, is the present so-called countervailing duty of fivepence on the gallon, by which the customs duty on imported spirit exceeds the excise duty on home-made spirit. The average value of a gallon of proof spirit, by English proof and of Prussian manufacture, is at present fifteenpence. The countervailing duty, consequently, amounts to not less than 33⅓ per cent., and as the general reader, as yet uninitiated into the niceties of the question, at once will judge, bears the improbability of merely countervailing what, as is supposed, is to be countervailed, on the face of it. If it is not protection, it has at least the misfortune of looking like it, as one egg looks like the other.

Astonishing as it looks, that so much of disadvantage to the English distillers, caused by the *peculiar* English form of securing the excise—for *some* excise on spirits and *some* restrictive regulations, to serve it, exist everywhere—should have to be countervailed by burdening the import, to the English distillers, this rate of fivepence appears by no means to be enough, not what is due to them for their additional expenses and vexations. To let these gentlemen have their say, and to see what it is worth, of course, must form the first part of our business.

Mr. Cobden, at the Anglo-French Treaty, had assumed that twopence was enough to countervail the difference between English and Continental—French—excise restrictions. He had evidently been guided by the consideration that this was the countervailing duty taken from imported *colonial* spirits. Supposing that the English distillers, who had acquiesced in the gradual reduction of this "countervailing" duty on the produce of their countrymen in the colonies from 1s. 4d. to 2d., would not have allowed their *justifiable* claims to be disregarded, he was of opinion that the same countervailing duty would be appropriate in dealing with Continental produce; that is to say, it is merely my surmise that such was his thought. But then he had soon to learn that he had been grievously mistaken. The encouragement thus given to colonial spirits had not been followed by any injury to the home distillers, whose acquiescence in the measure, as we learn from the report of the Commissioners of Inland Revenue, on the duties under their management from 1856 to 1869, is to be attributed to their knowledge, that injurious consequences to them had not to be apprehended, because the importers of colonial spirits had the expense of a very long voyage, and because rum, the only spirit imported from the colonies, is not of a kind suited to the general demand, and does not enter into competition with British corn spirit, the basis for the manufacture of gin. Mr. Cobden and the English people were soon taught, that with regard to spirits made on the Continent, the case was very different. For large quantities of spirits were made in

Germany, Holland, and Belgium, from materials similar to those used in England; that the cost of transport from the neighbouring districts of the Continent was not greater than that between many places in the United Kingdom; the rates of duty chargeable abroad were very considerably lower than in England; and the fiscal regulations under which the manufacture there was conducted *consequently* were of little moment.

I beg the reader to observe the word *consequently*, which is a quotation like the remainder of the argument. It is certainly not quite plain why a lower rate of excise should necessitate less supervision and restriction for rendering supervision possible. The rate may be very much lower than that at which England has now succeeded in arriving, luckily for her, and yet will constitute as strong a temptation to smuggle. That it *consequently* is so means nothing; that it *really* is so ought first to have been *proved*.

I dare say it will strike the reader already on this occasion, that wherever duties, *composed of an excise duty and a corresponding customs duty*, are under consideration, the question of free trade or protection does not depend upon national, but upon *international*, legislation. In imposing such a customs duty *here*, and calculating its presumptive correct rate solely by taking into account the burden of excise regulations at home, not caring about what the burden of the excise regulations is abroad, nor, on the other hand, what drawbacks there may influence international division of labour, one is apt to protect or even to maltreat native industry without intending it. If the countervailing duties are settled in this fashion on all sides, all foreign produce, not enjoying an addition to the drawback, which addition makes up for the burden of the excise regulations it has had to bear at home, is burdened at its import with *both*—the burden of the excise regulations in the exporting, and the burden of these regulations as expressed in the countervailing duty in the importing country. Such an addition to the drawback or export premium on spirits yet in bond has actually been tried in England, as we

shall see hereafter, with great precaution and astuteness, and even so as to benefit the exchequer, instead of injuring it. But both parties, the Government as well as the British distillers, were then (in 1860) not in a position, and never will be in the position, to judge which of them will be the winner from any definitive arrangement; and, consequently, the arrangement of 1860 is already now not any more what it was to be, and the distillers alone are now the gainers, at the taxpayers' expense, as far, namely, as they export. I now only beg, in addition, to observe that Prussia, relatively by far the most prominent producer and exporter of spirits, knows of no such export premium or addition to the drawback, but, on the contrary, reimburses to the exporter considerably less than he has actually paid of excise duty.

Now such a double charge on imported excisable commodities tends evidently to prevent international commerce in such commodities altogether, wherever their manufacture at home is not labouring under very gross and palpable natural disadvantages. The protection unconsciously accorded to the home produce, extending *possibly*, as I yet shall limit myself in saying, to not less than the 33⅓ per cent. on the value of the imported article, which the English countervailing duty on foreign spirits represents in the case of Prussian spirits, *may* cover a great deal of such natural disadvantages, and lead to an industry being maintained and fostered which is carried on with constant loss to the national wealth. For what *can* be bought in a cheaper market *ought* to be bought there; it being preferable to employ the national capital and the national labour in branches of industry favoured by natural advantages, and thus to get the means for effecting the purchase and still something else in the bargain.

It is to be hoped for, and it is to be aimed at, that customs tariffs in future are nothing but supplements to a systematic taxation of such voluntary consumption as constitutes waste of national wealth. This probably implies an increase of the variety of excise duties, left to

the ingenuity of those who will follow us when we shall be gone, to the progress of chemical and medical research, and to the growing refinement of political economy, whose last word is not yet spoken. The prospect, therefore, is that the customs departments everywhere will more and more have to deal with *excisable* commodities; in fact, exclusively, if we except such commodities as cannot be produced at all inside the customs' frontier, or whose production inside this frontier can be forbidden without loss to the national wealth. More and more, therefore, will the question of what hitherto has been called the commercial policy of the state—that is to say, the influence of its customs duties on its foreign commerce, and on the international division of labour—*become dependent upon the nature of countervailing duties,* and if not good care be taken to stop their intended abuse, or not intended mischievous working, in time, protection and even national seclusion may yet become the rule with regard to that growing variety of excisable commodities, and free trade the exception.

Before I can attempt a little more accurately to indicate the way out of this danger, I have to follow still further the pretensions of the British distillers, and the measures by which they were met on the part of the British Government.

Immediately that the contents of the Anglo-French Commercial Treaty became known, deputations of the distillers waited upon the Chancellor of the Exchequer and upon the Commissioners of Inland Revenue, to whose report I am indebted for the narrative, in order to explain their case and to obtain a proper adjustment of the duties. They succeeded in getting the admission on the part of the Commissioners that the regulations of the Inland Revenue Department alone increased the cost of manufacture of spirits by a sum of not less than 5½d. per gallon. They further claimed to be compensated for certain advantages given to foreign spirits by the mode in which the duty is calculated by the officers of customs; advantages which were reckoned at 4d. per

gallon in favour of the importer; so that the full claim of the distillers was for a countervailing duty of not less than 9½d. per gallon, constituting 63⅓ per cent. of the price of a gallon of proof spirit of Prussian manufacture.

Their complaints were met first by the abolition of a series of prohibitions. The Commissioners agreed to abolish the prohibitions—

Against grinding malt with stones.

Against the use and sale by the distiller of yeast produced at his distillery.

Against the continuous running of common stills (which prohibition in Prussia is still in force).

To give up the annual balance account.

To make a larger allowance for waste in warehouses, and to give greater facilities for obtaining remission of duty on spirits lost by accident. (Relief impossible with the Prussian system.)

To remove certain restrictions which increased the expense of making malt for distillery purposes.

With these concessions the Commissioners considered the excise restrictions on the manufacture of spirits reducible to an amount represented in money by 2d. per gallon in the case of plain spirits, and 3d. in that of rectified or compounded spirits.

As to the advantages which, as the distillers pretended, were given to foreign spirits by the mode in which the duty is calculated by the officers of customs, and which were to justify their demand of 4d. more of countervailing duty on that account, an inquiry which was instituted by the Commissioners of Inland Revenue, as protectors of the distillers, at once showed that there was no foundation for such a claim whatsoever. The Commissioners caused a large number of consignments of foreign spirits to be measured by *their* officers on their admission into rectifiers' stocks, when it was found not only that on the average there was a very fair agreement between the measurements of the two departments, but that in most of the cases in which the difference was noticeable *the charge made by the customs was rather above than below the account of the excise.*

Thus the Commissioners of the Inland Revenue themselves originally thought 2d. per gallon in the case of plain spirits, and 3d. in that of rectified or compounded spirits, the justifiable amount of countervailing duty, after the facilities enumerated above had been conceded.

How it has come to pass that they have abandoned their verdict, and finally assented to a uniform countervailing duty of 5d., I must confess, with due deference, they have not succeeded in rendering clear, at least to a foreign reader. They say:—

"But in fixing the amount of surtax on foreign spirits, there was to be taken into account an advantage which they had *when coloured*,* in consequence of the *difficulty* of ascertaining the true strength of spirits of that kind. A countervailing duty of 5d. per gallon was *therefore* ultimately adopted as that which would place British and foreign spirits on *equal* footing."

Yes, perhaps, British and *coloured* foreign spirits—a very insignificant article in international commerce. But why was 3d. added to the differential duty on *uncoloured* plain spirits, and 2d. to that of *uncoloured* rectified or compound spirits, just described as calling only for 2d., resp. 3d.; and why were these two equalised, acknowledged just to be separate cases? Why are *they* punished for the *difficulty* of ascertaining the strength of *coloured* spirits? It is not difficult to see that they are *not* coloured.

I suppose this sudden shift was brought about by some such consideration as that it was better the countervailing duty was *uniform*. Of course the *highest* rate alone was then admissible. The thing was done, and the offshot was that Mr. Cobden's twopence were changed into fivepence, and that *uncoloured plain* spirits, the natural article of international commerce in spirits, had to pay, not what had been calculated as the justifi-

* Because the colouring matter, being more heavy than water, makes the hydrometer show more specific weight; consequently, in appearance, a less per-centage of proof spirit than the spirit actually contains.

able countervailing duty in their case, but what had been calculated in the case of coloured compound spirits.

The Commissioners of Inland Revenue evidently were *not* responsible for the "uniform" duty; for in 1866, when the distillers once more complained of being wronged, even with a countervailing duty of fivepence, the Commissioners proposed a differential treatment of uncoloured and of coloured spirits, to the extent of twopence-halfpenny per gallon, the mean of the twopence and the threepence by which the duties on plain and on compound or rectified uncoloured spirits had been increased for the sake of uniformity.

It is of interest to take notice of the quite new apothecaries' bill which the distillers had got up in 1866. Here it is. They once more insisted upon a countervailing duty of ninepence-halfpenny per gallon, now made up in this way:—

1. Compensation for duty on *foreign* grain -	0¾d.
2. Prohibition against brewing and distilling *at the same time* - - - - -	1½d.
3. Against distillers mixing wort in *separate* vessels, while in process of fermentation	0¼d.
4. Loss of duty on *rectification* and *flavouring* spirits in *separate* premises - - -	3d.
5. *Colouring* matter in foreign spirits - -	2d.
6. Increased expense in *making malt*, consequent on Excise restrictions - -	0½d.
7. Difference in *mode of charging* duty in favour of foreign spirits, and duty *evaded* upon foreign spirits and by *samples* drawn in bond - - -	1½d.
	9½d.

Before examining the single items of this curious list, on which the distillers now have staked their case, just let us translate the pence on the gallon into the pounds sterling, which they constitute for the whole consumption; for, in matters of taxation, it is not quite

superfluous to remember the warning, to take care of the pence while the pounds take care of themselves. This warning must, least of all, be neglected in the case between him who *spends* pence and him who *gets* them in the shape of pounds. The pence gathered into pounds are not so much taking care of themselves as they, if not taken care of by him whom they concern in their *collective* form, namely, the public, invariably are taken care of by somebody else, just like pretty girls, of whom their parents do not take care. During the year ending on the 31st of March, 1869, the consumption of British spirits in the United Kingdom amounted to 21,107,922 gallons, and of colonial and foreign spirits to 8,366,726 gallons; altogether to 29,474,648 gallons; that is to say, very nearly one gallon on the head of the population; by the way—and for refuting a common prejudice—a consumption on the head not more, rather less, than the consumption on the head in France, and *less* than one-half of the consumption on the head in Northern Germany.

An addition to the price, amounting to ninepence-halfpenny, would have constituted on the whole consumption of 29,474,648 gallons, a sum of

	£	s.	d.
	1,166,704	16	4
Namely, on the 21,107,922 gallons of British spirits - - -	835,521	18	3
On the 8,366,726, colonial and foreign - - - - -	331,182	18	1
Together	£1,166,704	16	4

The £331,182 18s. 1d., supposing that a countervailing duty of ninepence-halfpenny would not have curtailed or altogether have put a stop to the importation, would have been the addition to the receipts of the state. The £835,521 18s. 3d., or so much more as the curtailment of importation and the increase of home production, in consequence of the more complete protection, would have lessened that sum of £331,182 18s. 1d.,

would have gone, in the shape of an increase of prices, into the pockets of the distillers, on the head of a reimbursement of their losses, namely:—

	£	s.	d.
1. On the head of compensation for duty on foreign grain, the sum of - - - -	65,962	5	1½
2. On the head of the prohibition against brewing and distilling at the same time -	131,924	10	3
3. On the head of the prohibition against distillers mixing wort in separate vessels while in process of fermentation - - - - -	21,987	8	4½
4. On the head of loss of duty on rectification and flavouring spirits in separate premises	263,849	0	6
5. To make up for colouring matter in foreign spirits -	175,899	7	0
6. On the head of increased expense in making malt, consequent on Excise restrictions - - - - -	43,974	16	9
7. On the head of difference in mode of charging duty in favour of foreign spirits, and duty evaded upon foreign spirits, and by samples drawn in bond - -	131,924	10	3
Together	£835,521	18	3

As the titles to No. 5 and No. 7 are not based upon pretended losses of the British distiller, but upon pretended smuggling premiums of the importer of foreign spirits (no gains to the foreign distiller at all events), it will tend to enlighten the reader still more

on what relation exists between the pretences and the real things at their bottom, if we calculate what sum of money the *importer* would have had to pay in the shape of countervailing duty on the 8,366,726 gallons actually imported:—

For the colouring matter disturbing the measuring of the alcoholometer, he would have had to pay, *whether the spirits be coloured or not* - - - - - -	£61,389	7	8
For the difference in mode of charging duty in favour of foreign spirits, and for evasion of duty upon foreign spirits, and for samples drawn in bond, he would have had to pay - -	£52,292	0	9

The examination of the seven heads themselves is greatly facilitated to me by the search which the Commissioners of Inland Revenue have made into them in 1866, and by their verdict. They have altogether refused to take into account the increased expense in making malt, consequent on Excise restrictions (No. 6); the difference in mode of charging duty in favour of foreign spirits; the evasion of duty on foreign spirits, and by samples drawn in bond (No. 7). They further have reduced the claim, based upon the prohibition against brewing and distilling at the same time (No. 2), from three-halfpence to a penny; and the claim based on loss of duty on rectification and flavouring spirits in separate premises (No. 4), from threepence to twopence-farthing. But they have *increased* the claim based on the colouring matter in foreign spirits (No. 5), from twopence to twopence-halfpenny; confining, however, the countervailing duty on foreign spirits on this account to spirits actually coloured.

Their reckoning, with which alone I will now deal, is this:—

	Amount allowed in 1860.	Considered admissible by the Commissioners in 1866.	
		For uncoloured Spirits.	For coloured Spirits.
1. Compensation for duty on foreign grain	0⅝d.	0⅝d.	0⅝d.
2. Prohibition against brewing and distilling at the same time	1d.	1d.	1d.
3. Against distillers mixing wort in separate vessels while in process of fermentation	0¼d.	0¼d.	0¼d.
4. Loss of duty on rectification and flavouring spirits in separate premises	1d.	2¼d.	2¼d.
5. Colouring matter in foreign spirits . .	2d.	nil.	2½d.
Together	5d.	4¼d.	6⅜d.

In this list the first item cannot any longer fairly —which, with me, means in *English* interest, in the interest which free trade is to favour in England itself, in the interest of the greatest efficacy in application of English national capital and of English national labour —be maintained. For the last remnant of a duty on foreign grain—the so-called comptrol-duty of a shilling on the quarter—has since been removed. I must not omit to say that, even had this not been the case, a countervailing duty imposed on this account, and to this extent, on foreign spirits, was at least questionable; for spirits are not distilled exclusively from grain, neither in Great Britain nor still less abroad. *Now*, there is not even the pretext left for this part of the countervailing duty. The verdict of the Commissioners of Inland Revenue, applied to the present time, consequently, is to the effect that 3½d. in the case of uncoloured spirits, and 5¼d. in the case of coloured spirits, is the justifiable amount of countervailing duty, even if the burden of foreign Excise regulations on the foreign spirits be *not* taken into consideration.

The differential countervailing duty of 2½d. on foreign coloured spirits is evidently but another form of reading off the degrees from Sikes' hydrometer differently, when dipped into coloured spirits, namely, as indicating the presence of about 2 per cent. more of proof spirit—that is to say, spirit as at the temperature

of 51° Fahrenheit shall weigh $\frac{12}{13}$ of an equal measure of distilled water—than what it would indicate when dipped into the same spirit uncoloured. There is no reason to object to such a precaution in measuring foreign coloured spirits, though it would certainly be more correct to fix by law the per-centage to be added to the amount of proof spirit, as indicated by the hydrometer, than a distinct rate of differential duty. For it is clear, and is avowed by the Commissioners of Inland Revenue, that the charge for the per-centage of proof spirit, supposed not to be discovered in coloured spirits by the hydrometer, is variable *with the excise itself.* To international commerce this part of the countervailing duty, provided it is really confined to coloured spirit, is but of comparatively small importance. It will depend upon the progress of science and invention if the per-centage actually called for may not be more accurately determined. For accuracy is not altogether superfluous in this case. It must not be overlooked that with an excise whose rate so immensely exceeds the price of the article in bond as does the British excise on spirits, even a small per-centage added to it constitutes a *large* per-centage on the price of the article in bond, by which international commerce, when free, is regulated. The 2½d. of the Commissioners of 1866 constitute, on spirits of Prussian manufacture, a charge of about one-sixth of their original price!

The three items now solely left, and forming together the 3½d. I have still to deal with, are two prohibitions and one actual loss, two pleas, as the lawyers have it, of *lucrum cessans,* and one of *damnum emergens.*

The loss, the *damnum emergens,* is by far the most important item. Of the 3½d. left, not less than 2¼d. has been laid to the door of this loss in the bill drawn up by the Commissioners of Inland Revenue in 1866, the latest I am in possession of. I must beg pardon that I cannot help noticing and comparing what urges itself upon my eyesight. In the former official bill of 1860, the same loss is put down at *one* penny only. The Commissioners of Inland Revenue in 1866 justify its increase to 2¼d.

by dividing it into the two parts of loss on rectification and loss under the heads of premises and plant, cartage and wages, on account of rectifying on separate premises. The former they have raised from 1d. to 1¼d., because the excise and customs duty—on the rate of which this loss evidently depends—after the first bill, but still in the year 1860, had been raised from 8s. to 10s. This tardy correction tends to prove how much more advisable it is to let the law fix such supplementary charges as, by their presumed justification, are variable with the main rate of an excise or customs duty in percentage of the main duty, and *not* in the shape of a separate duty. And then was added 1d. on account of losses newly discovered, and caused by the work having to be done in separate premises, for which that 1d. would be a fair allowance.

This correction took place and this discovery was made at the same time that the 2d. imposed upon foreign *un*coloured spirits, on the plea that the colour interfered with the hydrometer, was admitted to be unjustifiable—that is to say, to be Protection. The pence are here transferred from one item of the bill to the other, on plausible grounds, perhaps, but certainly without much ceremony. Am I quite wrong in supposing that this is to be explained by the justification of *both* charges having always consisted rather of a mere dim feeling, produced by the incessant wailings of the distillers, that there *was* something owing to them, without distinct knowledge what for and how much?

I repeat begging pardon for such surmises, adducing in my favour, that my own countrymen and my own government have had to suffer far worse ones on my part, when dealing with German customs duties imposed upon English produce.

But even supposing that the whole 2¼d. could very satisfactorily be accounted for, *how is it that they are levied not merely from rectified and flavoured, but just as well from plain foreign spirits?*

These poor uncoloured and plain foreign spirits, in their modest garb, and as yet open to no reproach, as

far as we have examined the items of the bill of charges, were but once allowed, and that for a short time only, to show their blunt and honest face to the English public, namely in 1860, when a difference *was* made, as the reader will recollect, by the Commissioners of Inland Revenue, between them and foreign rectified and compound spirits, a discriminating countervailing duty being proposed by the Commissioners of 2d. on the plain, and of 3d. on the rectified and compound foreign spirits. This differential penny was the father to the general penny, actually imposed in 1860 on plain *and* on rectified and compound foreign spirits alike, and which, in 1866, has grown into 2¼d.; just in the same way as the differential 2d., justified by the presence of colour in spirits, was parent to the 2d. finally imposed in 1860 on all foreign spirits alike, and which had grown, in 1866, into 2½d., then at last imposed upon coloured spirits alone; while the 2¼d. into which the differential duty of 1d. on rectified spirits had grown, had to make up for the deficiency in the case of uncoloured spirits, rectified or not. The plain foreign spirits already ushered out of the presence of the public in 1860 never were allowed to reappear again, and, from 1860 till 1866, had to bear both the burden of the rectified and the burden of the coloured spirits, and in 1866 were relieved from the latter only for getting the former imposed at the double rate. By some way or other they must have ill merited of the friendship particularly of the British distillers, and even of the Commissioners of Inland Revenue, for, as we shall see lower down, they now even call them names.

In the case of plain spirits, the 2¼d. of the countervailing duty for loss on rectification is just as indefensible as every other item of the bill we hitherto have met with. There is not even the shadow of a reason for imposing it, except it be the shadow of Protection—a shadow cast behind, as shadows are cast before, by men, by events, and by institutions, by discoveries, and by gross deceptions in the moving panorama of history.

As to the loss of duty paid by the British distiller

on rectification, it is exactly the reverse of the escape from duty of the importer of foreign coloured spirit, in consequence of the colour hiding a certain percentage of proof spirit. If the latter necessitates an addition, the former necessitates a *subtraction* of duty in the form of a percentage of the rate of excise. In the former case it is right to burden the foreign coloured produce; in the latter, it is alone correct to *disburden* the native rectified spirit, *after* actual rectification. Proof spirit, which has evaporated before being consumed, is no fit object for a tax on consumption. Let the distiller choose, if he wants his rectifying process to be controlled, and the estimated loss to be placed to his credit. The same applies to the rectification of foreign plain spirit in Great Britain, which there is good reason to assume, once in years of cheap freight, will be not the exception, but the rule. Thus we again have got rid of $1\frac{1}{4}$d. of the countervailing duty on rectified, and of the whole $2\frac{1}{4}$d. on plain foreign spirit.

The latter—which in the question of foreign commerce, and of international division of labour depending upon it, is of paramount interest, inasmuch as natural advantages and disadvantages to the manufacture of spirits chiefly find their expression, at least in the long run, in the price and quality of the plain spirit produced—remains now burdened with $1\frac{1}{4}$d. only, or it is rather my burden to prove that it does not even remain that. The $1\frac{1}{4}$d. is made up of two cases of pretended *lucrum cessans*—the one because the distiller is not permitted to make beer at the same time; the other because he is compelled to mix his wort in separate vessels while in process of fermentation. Neither case stands in any relation whatsoever to the rate of excise duty. Be the rate a high, be it a low one, not to be permitted to make beer has nothing to do with it. The prohibition, moreover, has nothing to do with distilling from other materials than barley. It does not injure the British distiller, and does not benefit in competition the foreign distiller, who is distilling, for instance, from mangold-wurzel, from beet-root, or from potatoes—which three

cases I purposely, and for very good reasons, put into the foreground. Nor does it benefit in competition the colonial distiller, who is distilling from sugar, from sugar-cane, or from rice exclusively. It further does not affect the distiller from wine, plums, cherries, and other fruit; and it would be straining the case to say that it affects the distiller from other corn than barley and malt. It finally does not affect, to complete the list—and not without a view to a perhaps not so very distant future—the distiller from the wood of trees, combining distilling with the manufacture of pulp for paper-making.

If it *really* injures the British distiller from barley and malt, and from barley and malt mixed with sugar and molasses, as the law has allowed and facilitated such distillings, by drawbacks—that is to say, if he would brew and still at the same time, if allowed to do so—nobody can say. The questionable plea of a *lucrum cessans*, once admitted, offers the advantage to the suitor of throwing the burden of proving that there is *no* occasion for an indemnity on the defence. And an actual test in the single case being precluded, analogy is the only resource left to the defence. Analogy may be taken from another time or from another place, to where the prohibition, said to be the cause of the *lucrum cessans*, does not extend; but in either case it must be accepted with due reserve. Concerning the best way to conduct a manufacture, the example of times long past is hardly admissible at all. For the best way, in another time, is another way, in consequence of the progress of invention, of concentration of forces, and of division of labour. The best way at another place is likewise *often* another way, but not always. Here telling examples, illustrating the *lucrum cessans*, *may* be found. Very well; I now take the liberty to return the compliment of being called upon to instruct. I want to be instructed myself. Where *now* is, in all the world, the distiller who brews and stills at the same time, and whose competition, in consequence, is so dreadful to the British distiller, as to justify putting *all* foreign spirits under the disadvantage

of making it good, by being charged with 1d. on the gallon—that is to say, with six per cent. in the case of Prussian *potato* spirit, the *real* competitor? Where is even the *one* who is sought for in this Bethlehemite children's massacre?

To say the truth, this 1d., challenging to be found out, but unable to plead an *alibi*, is the oddest on the whole odd list. As belonging to the wily gang of *lucra cessantia*, alias thimble-riggers, this countervailing penny is a very old acquaintance of judge and jury, namely of civil juries. In Germany, too, we know his associates well enough, but there in jurisdiction alone, not in legislation. Where legislation is pretended to be the cause of a *lucrum cessans*, the claim with us is pleaded for and against—*for* by the party who pretends to be deprived of possible and probable gain, *against* by the treasury. That is a very different thing from taxing the foreigner in name, and in reality the consumer, because something is forbidden to the native producer. It is, for instance, forbidden to the proprietor of land in Great Britain to apply it to the culture of tobacco. In Germany much land is applied to the culture of tobacco in alternation with other crops. That *may* assist the German farmer, or at least many German farmers, in producing wheat at a cheaper rate than the English farmer can do it, deprived as he is of the chance of turning the natural treasury in his acres, his manure, and his labour to account by now and then growing tobacco. *Where is the countervailing duty in England in this case?* Once it did exist as an anonymous part of the protective duty on corn. In England the plea of defence of protective duties most in favour with the advocates of Protection, was *always* that protective duties were nothing but *countervailing duties*, that *every* protective duty was made up of a list of countervailing duties, just as is made up now the *protective* duty on foreign plain spirits. And this is the plea still with those who dream of a *revival* of Protection in England. For there *are* some such revivalists abroad and astir. When of late in London, I had the good luck to find some of them out

on the very first day. They will not easily forget it themselves. This argument is the old one, that a foreigner must not be allowed to compete with the Englishman in England before he has paid all the taxes an Englishman has to pay, and has complied with all the rules an Englishman has to comply with. The penny paid by the importer of foreign spirits, because the British distiller is not allowed to brew and distill at the same time, is apt to furnish them with a first-rate illustration, and fully justifies the way by which they proceed.

This penny, too, I cannot acknowledge to be anything else but rank Protection of the old style. The other name it bears is nothing but hypocrisy, is—and that is the relieving feature of the name of a countervailing duty—homage that vice pays to virtue.

Thus of the whole list of countervailing duties nothing is left except the farthing on both plain and rectified, uncoloured and coloured foreign spirits, purporting to countervail the prohibition against distillers mixing wort in *separate* vessels while in the process of fermentation, and the penny purporting to countervail the loss under the heads of premises and plant, cartage and wages, on account of rectifying on *separate* premises; which penny, of course, ought to have been imposed on *rectified* imported spirits only. The compensation for duty on foreign grain has revealed itself as a pretext which exists no more; the prohibition against brewing and distilling at the same time has revealed itself as an unvarnished Protectionist argumentation; and the distiller's loss of duty on rectification, and the importer's escape from duty in the case of foreign coloured spirits, have revealed themselves as elements requiring to be taken into account at the *measurement*, but not as justifying countervailing duties.

The two countervailing duties left, of $\frac{1}{4}$d. only on foreign plain as well as rectified spirits, and of $1\frac{1}{4}$d. on foreign rectified spirits, supposing their measure proceeds from a correct estimate, by the Commissioners of Inland Revenue, of the producer's increased expenditure—which correct estimate in these two cases is excessively difficult

—only represent the British distiller's *impeding weight* in the horse-race of international competition, on the home as well as on the foreign market.

Before I proceed to show that it is at least fully *countervailed* by a similar weight, borne by the only competitor who can earnestly be spoken of, I must not omit to draw attention to the *only premium on exportation*, not being a drawback, *still* paid in England—and that to the same distillers who enjoy the *only* protective duty *still* in existence there.

It has been mentioned before, that if countervailing duties on excisable commodities, laid on foreign produce in addition to the excise duty, to countervail the increase of the expenditure which the excise *restrictions* impose upon the home producer, are to be prevented from burdening produce manufactured for consumption abroad, with the burden of *twofold* excise restrictions, then a countervailing premium on exportation becomes indispensable wherever the commodity is excisable. It has been mentioned, besides, that in England resort has been had to this expedient, and that it has been cleverly managed, namely, without loss and even to the advantage of the exchequer. The report of the Commissioners of Inland Revenue says: "The distillers and rectifiers having established (in 1860) the fact that excise restrictions caused a loss to them of 2d. or 3d. per gallon, naturally considered that they had a claim to some allowance on exporting their spirit, in order that they might compete with foreign distillers on colonial and other markets. Allowances to the extent of 2d. per gallon on plain spirits and 3d. on compounded spirits (here they are carefully discriminated) were consequently granted by a resolution of the House of Commons on the 5th of March; and in order to protect the revenue from any diminution by this conversion, an additional duty of 1d. per gallon was imposed on all spirits *distilled* in the United Kingdom (not *consumed*, so that the 1d. was *not* levied from imported spirits, and consequently counteracted the protective effect of the countervailing duty to the amount of 1d.). In this respect there can

be no doubt that the Chancellor of the Exchequer made a bargain, highly favourable to the revenue" (I should think so!) "while the exporters of spirits were placed upon a very satisfactory footing."

But the beautiful scheme was not long-lived. The report continues: "The duty on British spirits at the ratification of the French Treaty was 8s. 1d.; the 1d. being the one added, as we have explained, to compensate the revenue for the increased drawback on exportation. Before the end of the session it became apparent that some addition to the revenue of the year was required, and Mr. Gladstone, on the 17th July, proposed an increase of 1s. 11d. (*not* of 2s.) in the spirit duties, which were *thus* brought up to the present rate of 10s."

Besides the revenue, the British distillers got the best of it. For while the excise duty was increased by 1s. 11d., the customs duty on imported spirits, which, apart from the countervailing duty, had been only 8s.—as the importer of foreign spirits could not well be called upon to contribute to a premium for exportation—was increased by 2s., and the British distillers were thus enabled to get rid again of the 1d. they had to pay, while keeping the 2d. and 3d. premiums they may earn.

And now mark the effects on the comparative position taken up by the British distillery, the effects of the Protection at home, called countervailing duty, and of the premium for exportation, called increase of drawback.

As to the comparative position of the British spirit manufacture on the home market, I can only compare the year 1869 with such an early one as 1852. The increase of the rate of excise and customs duty to 10s. occurred precisely in the midst between these two years. The effect was, of course, identical on British as well as on foreign spirits supplying the consumption of the United Kingdom. It had only to do with the sum total of the consumption, not with its division into consumption of British and into consumption of foreign spirits. Here are the figures:—

	Total Consumption.		British Spirits.		Foreign and Colonial.
1852 ...	30,051,189 gals.	...	25,200,879 gals.	...	4,850,310 gals.
1869 ...	29,474,648 „	...	21,107,922 „	...	8,366,726 „
			Decrease, 4,192,957 „		Increase, 3,516,416 „

As the total consumption in 1869 had not yet recovered the extent of 1852, the *proportional* decrease of the consumption of British spirits *as compared* to the consumption of foreign spirits is still greater than the absolute.

As to the comparative position of the British spirit trade abroad, I will first let the British distillers tell their tale themselves, as it is evidently embodied in the report of the Commissioners.

The exportation of British spirits to the colonies and foreign countries commenced in earnest only after the system of warehousing without payment of duty, for home consumption and for exportation, had been greatly extended, and the repayment on drawback of the full excise on exported spirits, together with a further allowance of 1½d. per gallon in consideration of the duty on malt used in their preparation, had been granted in 1848. The previously but inconsiderable exportation of plain spirits developed itself into something worth mentioning, and a perfectly new and, for those times, large trade sprang up in the exportation of rectified and compounded spirits.

I will add that at that time still, and for a series of years afterwards, British spirits excelled in *quality* those of all other nations, and that the manufacturing processes in use on the Continent were as yet very rude, and far from doing justice to the various materials from which distilling took place. This refers particularly to the best material among them all, namely potatoes, the staple material of the then almost exclusively rural distilleries in the German provinces adjacent to the Baltic.

The average quantity annually exported in the three years immediately following the passing of the Act, Vic. 11 & 12, amounted to 283,608 gallons only, but it was as yet uninfluenced by the trade in spirits to

the wine-growing countries of Europe, which afterwards became the great feature of the international spirit trade, and the field on which the great race of international competition has been run. The continuously extending practice of fortifying wines with spirits, originally and of old confined to wines destined for English consumption, necessitates the use either of spirits made of wine, or of spirits distilled from other materials with great care.

When consecutive failures of the vines in France compelled the French consumers and the French wine-merchants to throw overboard the last remnant of their former prejudice against fortifying wine with spirits, the British distillers, accustomed to manufacture spirits for such a purpose, were the first who got the best of it. In the year 1855-1856 the exportation of British spirits rose to 3,840,691 gallons, of which about 3,000,000 went to France. In 1856-1857 the figure of British exportation swelled to 5,717,529 gallons, the highest ever reached, and looked upon in those times as a great success, while, compared to the present state of the international trade, it is but a paltry concern, together with the whole British distillery, as we shall see later.

The French, in their great bulk, always considering buying from the foreigner as a loss and selling to the foreigner as a gain—the true shopkeeper's view of the case, which once bore the name of mercantilism and was thought to be a science—believed it to be their duty once more to defend themselves against such an inundation with foreign produce; which they, frightened by the repeated failures of their vines, for wine as well as for spirit making, *themselves* had invited by reducing the customs duty from 225f. 50c. per hectolitre to the nominal amount of 15f. They imposed again a serious differential duty on foreign spirits, not calling it a countervailing duty, but straightforwardly protection to native industry. And as they were perfectly conscious that in doing so they were running the risk of injuring their export trade of wines fortified with spirits, if they could not substitute native produce for the foreign, they

hastened to add *corn* to the list of the materials from which their excise regulations allow the distiller to distill. For the British spirits imported *were* spirits distilled from corn and malt, and this much was certain at all events, that the high price of the French spirits, distilled from wine—which distillery, the brandies of Cognac and Armagnac left apart, is now only profitable in years of a total failure of the vines, or of such an abundant harvest that casks and cellars become insufficient—did not allow their application to the inferior wines, and that the unpleasant taste of spirits distilled from beet-roots, the other staple material of their distillery, a taste which appears to be almost unconquerable, rendered these latter a very questionable substitute for British corn spirits in fortifying wines.

These measures, together with the superior natural strength of the French wines harvested during the next three years, brought the British exportation down to an average of 2,000,000 gallons yearly, till 1861, when the British premium on exportation of 2d. and 3d. began to exercise its influence. The exportation once more rose to an average of 4,000,000 gallons a year. The civil war in America having cut off the supply of American spirits to Africa and Turkey, where they used to be taken, helped to bring about this result. But it was only a last transitory gleam. The rapid decline, in spite of countervailing duties and export premiums, or rather prompted by them, of an old and respectable industry, which before had shown the way to others, soon became apparent beyond all doubt on the neutral as well as on the home market, and that without any other guilt than the usual one of protected industries—of having remained stationary while others, those *least* taken care of by their government, have been progressing.

The report goes on to say: "In 1864-5 there was a considerable decline. This was still more marked in the following year, 1865-6, when the total quantity exported fell to 1,659,986, since which period the variations have been much less considerable. . . . The decline during the last four years (till 1869) has been

attributed by *the distillers* to the very low prices of Prussian spirits, made from potatoes and roots, and which, though generally coarse and inferior to the productions of this country, are taken in large quantities for fortifying wines, and for mixing with such spirits and liqueurs as have sufficient flavour to disguise the unpleasant taste of the adulterating material. These spirits are much used in *this* country for fortifying wines in bond."

The reader need not be reminded that the distillers are speaking here as judges in their own case. That cannot assist us in finding out the truth, any more than the judgment of their competitors, which is the very reverse. Let us look out for another judge—for an umpire. There we best look to France, the greatest consumer of first-class spirits for fortifying purposes. And why not look at once to the official French judge, the French juror of the respective class at the last International Exhibition of Paris? The report is printed; let us read it. The gentleman's name is *Gustave Claudon*, merchant, dealing in spirits. His report is founded upon analytical inquiries, made by the French experts who were attached to the respective class of the jury. Treating of the French spirits, he relates how the French frontier had been opened to foreign spirits, and then, as far at least as the intention went, was closed again by a heavy differential customs duty. He then speaks of the first great international contest on the French market, to which this transitory opening of the frontier gave occasion. He says: "At this time (1855-1857) France, with her exhausted stocks of spirit, and deprived of her usual material from which to distill (the inferior vines of the South), had to look, for being supplied, to the English and to the Prussian market. The English spirits, distilled from malt, were found to be remarkably superior to our own. The Prussian spirits, on the contrary, though distilled from such an excellent material as potatoes, and in spite of the experience which the Prussian manufacturer must be supposed to have in dealing with it (the distillery from potatoes,

particularly in the neighbourhood of Berlin, is a century old), proved to be generally inferior to the French. This contest on our market led to an emulation between the distillers of the three countries, the result of which was, that in very few years our produce was rivalling that of England in quality, and finally has surpassed it. But I would not be justified in saying that we are now in advance of Prussia too."

In reporting on the samples exhibited by the foreign exhibitors, he then says: "England.—Corn, saccharified by being malted, and molasses of colonial sugar, are used to supply England with spirits and whisky. This production is considerable, and the consumption is large in the United Kingdom. In spite of the importance of this branch of industry, we have not found any sample of British spirits exhibited. Do the English manufacturers despise, or are they afraid, to compete? I do not know it, but I must not omit to register this absence, which, perhaps, justifies the judgment I have passed in speaking of the British spirits, while dwelling on the *final* issue of the great international contest."

And turning to the Prussian samples, he offers these significant remarks: "Prussia has exhibited spirits only, and no brandies (none are made). I have said before that at their first appearance on the French market in 1856, the Prussian produce, in spite of the excellent material from which it is distilled, was much inferior to ours, but that I could not undertake to assert that our manufacture, since, has kept pace with that of our rivals. I believe that, on the whole, we may yet keep up the struggle; but I am bound to confess that part of the distillers in that country have beaten us. Anxious to keep up the commercial intercourse with us—which was brought about by our transitory dearth—they have improved their establishments and their distilling processes, and thus have arrived at a state of perfection which our French manufacturers find it difficult to rival. Their system consists in making the low wines (flegmes) pass through a graduated series of filters of plastic vegetable carbon (manufactured, I believe, at Hamburg), in her-

metical confinement, before they arrive at the rectifying pile. I will not undertake to describe the whole procedure; I will only mention it to stimulate our French distillers. One of them, already, has entered the road, feeling his way, as must be done in introducing novelties; others will follow, and perseverance, the characteristic of our manufacturers, will do the rest."

It has not yet done it. He gives the almost appalling statistics concerning the rise of Prussian distillery since 1856 and down to 1865. Lower down the reader will find them completed as far down as 1869. The last four years contain the evidence, that the French too have had to give up the *unequal* contest, not of ability against ability, nor of capital against capital, but of wine, beet-roots, barley, and molasses against *potatoes* as distilling material. *Natural* selection has once more been at work, and its verdict *is* already conclusive, whatever erring legislation may do to avert the execution of the sentence.

That the battle is decided, in *quality* as well as in quantity, is proved by what the French juror already in 1867 had to observe, concerning the remarkable fact that Prussian spirits, the freight and the French differential duty being added to their price on the home market, are fetching 20 and even 40 per cent. more on the French market, at Havre and at Bordeaux, than the French native spirits. They, at the same time, he tells us, have largely invaded England, *in spite* of a countervailing duty of 33⅓ per cent.; they have extinguished other distilling than the unimportant one of Kirsch, in Switzerland, where the whole supply consists of Prussian spirits; and they have driven all foreign competition out of Spain, and he might have added almost out of any other European country, perhaps Portugal excepted, in consequence of peculiar commercial relations between that country and England. They successfully compete with the remnant of British exportation to Transatlantic countries, and there are now but the British colonies left, where British spirits, from habit and other obvious reasons, still occupy a commanding position.

The statistics of the rise of Prussian distillery speak a language not to be misunderstood. A Berlin quart, expressed in litres, differs from an English quart only in the third decimal. Thus, Berlin quarts, for a purpose of illustrative comparison, can be reduced to gallons by simply dividing by four. In commerce and in commercial statistics, Prussian spirit has hitherto been measured at a normal strength of 80 per cent. of alcohol, measured by the alcoholometer of Tralles, the same as that of Gay-Lussac. The litre and the way of measuring the alcohol pure only, as in France, have now been introduced in Germany. The figures I am about to give are all still referring to 80 per cent. spirits, equal to 40·7 overproof by Sike's hydrometer. The figures down from 1860 refer to the distillery of the whole of Northern Germany, where an equalised excise duty existed, before Northern Germany was transformed into a Federal State. Those previous to 1860 refer to Prussia alone, and to avoid confusion, I give the Prussian figures down to 1869 by the side of the North German ones. It will be seen that Prussia alone is of importance, and of Prussia again it is mainly the eastern half, the seat of the distillery from potatoes.

	PRODUCTION.		EXPORTATION.	
	In Prussia. Gallons at 80 per cent.	In Northern Germany. Gallons at 80 per cent.	From Prussia. Gallons at 80 per cent.	From Northern Germany. Gallons at 80 per cent.
1856	31,218,000	...	...	...
1857	42,653,250	...	...	...
1858	42,462,000	...	...	...
1859	41,071,250	...	...	...
1860	44,373,500	48,153,750	...	8,033,750
1861	44,297,000	48,075,815	...	7,573,750
1862	46,834,225	51,121,430	...	8,301,250
1863	50,422,800	55,853,900	...	12,594,590
1864	52,108,220	58,111,900	...	12,752,760
1865	51,860,905	57,770,265	11,153,372	12,361,042
1866	52,194,005	59,099,510	9,560,125	10,722,932
1867	51,221,440	57,416,810	8,250,980	9,548,928
1868	57,648,030	65,439,960	9,600,162	10,913,758
1869	65,374,035	74,733,630	13,931,955	15,186,421

As British proof-spirit contains but 56 per cent. of

alcohol pure, figures referring to spirits containing 80 per cent. are to be multiplied by ten and divided by seven, to ascertain the amount of British proof-spirit which they represent. The North German figures of the year 1869 assume thus this shape:—

NORTHERN GERMANY.

PRODUCTION. Gallons of British proof-spirit.	EXPORTATION. Gallons of British proof-spirit.
106,762,328	21,694,887

The British importation of 8,366,726 gallons in the year 1869 evidently has contributed no small part to the last stupendous figure.

In that same year, Great Britain exported still 1,360,440 gallons, but the report of the Commissioners has to avow that less than 100,000 gallons were taken by all the countries of Europe, and that the exports to the wine-growing countries had almost wholly ceased. The colonies and some Transatlantic commercial places alone had remained tributaries, owing, as is but natural, to the peculiar national taste.

The victory of the North German distillery over every other has been won in spite of its being submitted to quite as vexatious excise regulations as exist in England, and, what is still more remarkable, in spite of the drawback paid on exportation, far from exceeding, as in England, the excise actually paid, *falling short of it.* It has been won in the wine-growing countries by *quality*, in France and Spain against avowed *Protection*, and in Italy even against a fraudulous interpretation of the treaty with Germany; for the Italians are taxing their distillers almost at random, to keep them above water against foreign competition. In England it has been won by quality *and* by price, for the exportation to England includes spirits of an inferior quality too. And it has been won there against a countervailing duty, not being called Protection, but exceeding in amount the avowedly protective differential charge in France. This heavy countervailing duty is not even taken off

from foreign spirits, when selected for being methylated, and applied for liquefying polish and the like.

The present German excise on spirits *purports* to charge every gallon of pure alcohol contained in the spirits with 1s. 3d. To attain this object, resort has been had to two different ways of applying the excise, according to the material from which the spirits are distilled. If the material be farinaceous—grain or potatoes —the excise is measured by the *space* occupied by the wort, 6s. being charged for every hundred gallons of wort. This way of applying the excise alone has practical importance for us now. In distilleries using other materials than farinaceous, the excise is likewise applied to the quantity of the material, in such way as the nature of the material suggests, and always purposing to charge every gallon of pure alcohol likely to be extracted at the rate of 1s. 3d. The drawback on exportation amounts to $8\frac{3}{4}$d. only on the gallon of pure alcohol. Suppose the legal estimates of the probable amount of alcohol which each kind of wort will yield being correct, the loss of excise on exported spirits amounts to $6\frac{1}{4}$d. on every gallon of pure alcohol contained in them.

As is to be gathered from the charge of 6s. on a hundred gallons of wort of farinaceous materials, the supposed yield, in alcohol, of grain or potatoes is $4\frac{4}{5}$ per cent. This per-centage was never meant to represent the greatest *possible* yield, but that which the actual state of the manufacture in the country rendered the probable one. The greatest possible yield was, however, not lost sight of by the Government; its trace is to be found in the rate of the *drawback*. For the theoretical foundation of a drawback falling short to the extent of about $\frac{2}{5}$ of the excise supposed to be paid on the gallon of alcohol by being paid on the space occupied by the wort, is the presumed legal necessity of preventing the Treasury losing even a farthing by paying drawback on alcohol that might have escaped the excise by having been distilled from the wort in excess of the per-centage forming the measure for fixing the excise. The rate of the drawback shows that the

maximum per-centage of alcohol that could possibly be extracted from wort of grain or potatoes has been assumed to be $8\frac{2}{11}$ per cent. Thus a margin was left, ranging from $4\frac{4}{5}$ per cent. to $8\frac{2}{11}$ per cent., to the ingenuity of the distillers, making them lose excise on exportation, according as they distil less alcohol from the same wort, as measured by space. With a yield of $4\frac{4}{5}$ per cent. only, the German distiller loses $6\frac{1}{4}$d. on every gallon of exported pure alcohol; with each per cent. more his loss diminishes.

With a yield of	5 per cent. the loss is somewhat more than	$5\frac{1}{2}$d.
„	6 per cent. it is	$3\frac{1}{4}$d.
„	7 per cent. it is	$1\frac{1}{2}$d.
„	8 per cent. it is	$0\frac{1}{4}$d.

and with a yield of $8\frac{2}{11}$ per cent. the loss disappears. These are the losses on the gallon of alcohol pure; reduced to British proof spirit, containing 56 per cent. of alcohol pure, they assume this shape:—

With a yield of	5 per cent. the loss is more than		3d.
„	6 per cent. the loss is	„	$1\frac{3}{4}$d.
„	7 per cent. it is	„	$0\frac{3}{4}$d.
„	8 per cent. it is less than		$0\frac{1}{4}$d.

Consequently, any Prussian distiller, not succeeding in raising his yield from the original wort, either by the richness in starch of the materials employed or by energy in the saccharifying, fermenting in distilling of it, to full 8 per cent., which, as yet, in spite of the progress made, is rare, pays already on *exportation* the amount of countervailing duty which it might appear justifiable to burden wholly unburdened spirits with when entered for consumption in England.

There can be no doubt that this particular way of calculating the excise duty, together with a drawback thus regulated, as heavily to punish the distiller, who has not brought his distilling to a state of perfection, has had much to do with the former absence of Prussian spirits from foreign markets and with the present inundation of Europe by them. When a yield of five to six per cent. was still the rule, the Prussian distiller had to

compete on the foreign market under the full disadvantage of his insufficient drawback. Not thinking about exporting and competing with the foreigner and finding a rapidly-improving market at home, he did not pay much attention to quality. Supported by a good home market, an excellent and cheap material, and other circumstances that will be mentioned hereafter, he waxed fat without effort. He waxed so fat that finally the home market became too narrow for him. But if he wanted to invade the foreign market, he had to apply himself to avoiding the loss of duty incumbent upon exportation, and to improve the quality of his produce. The chance to supply the French market with spirits for fortifying wines—that is to say, very pure spirits, taught him the way. In a few years the thing was done. German distillery had attained to an average yield of between seven and eight per cent., involving but a small loss of duty on exportation, and in the best cases none at all, and the spirits were of a quality which left little to be wished for. The obstacle once being conquered, there were no limits to the further spread, both of production as well as of consumption. A real spirit, confined in a bottle by that sour-tempered enchanter, theoretical bureaucracy, has broken the seals and thrown out the cork, and now unfolds his greatness in his new airy freedom.

Besides that, the German distiller, in manufacturing for exportation, has had to conquer a disadvantage, which consisted, and for the greatest number of distilleries still consists, in the very reverse of a premium, such as the British distiller enjoys, the burden of excise regulations has been just as heavy upon him. With an excise measured by the wort and not by the extract from it, an indemnity for "loss of duty on rectification" is out of the question. What is lost, is lost. In mixing his wort the distiller, besides, is confined to such materials as are taxed alike by the law. He may mix potatoes with malt and molasses or treacle, and does so; but he cannot mix them with beetroot, mangold-wurzel, or with fruit of

trees. No alterations can be made in the interior of the distillery before the draft of them has not been approved of by the excise authorities. Distilling is only permitted after the distiller has given due notice of it to the excise officer, and as soon as work ceases the officer locks up the apparatus. The excise is to be paid monthly; the distiller can*not* place his produce in bond. The excise officer is to be informed beforehand of how much wort is to be subjected to distillation during the whole month, in regular daily rates. The daily rate of wort must not be less than 150 gallons, and no vessel is permitted containing less than 75 gallons. An alteration in the daily rate is allowed only once in the course of the month, and that only provided it be an increase. The mixing of the wort must take place between six A.M. and ten P.M. On the fourth day at latest, after the wort has been mixed, the distillation from it must take place. What has been mixed in one day must be worked in one day. The excise officer selects the time when he will unlock locked vessels. Where brewery and distillery are carried on in the same premises, the use of pure malt is not allowed in the distillery; it must be mixed with unmalted rye to the amount of 25 per cent. This regulation, together with the progress of division of labour, and the great refinement in brewing which has taken place in Germany, seems to have put an end to simultaneous brewing and distilling in Germany, just as effectively as the prohibition has done in England. There seems to exist but one old-fashioned larger brewery in Northern Germany, the proprietors of which have reserved their right of distilling, and their distilling-apparatus, without, however, making use of it. A relaxation of some of these regulations takes place only when the distiller consents to pay such an amount of excise as is probable, if the possibly quickest use of his apparatus and vessels, in continuous application from six A.M. to ten P.M. for the space of at least a week, is made the basis of the calculation.

These regulations are felt to be so vexatious by the

German distillers that, though the system of levying the excise from the wort instead of from its yield has rewarded them for every progress in this branch of manufacture, their opinions are now greatly divided, if it would not be preferable to substitute an excise on the spirits for it. The Government *is* of that opinion and has already attempted, but as yet in vain, to carry a measure to that effect. For as yet there are two hindrances to it. Trusting to the progress of invention, we do not give up the hope in Germany that the world will soon be in possession of an irreproachable instrument for measuring and weighing at the same time—under lock and self-acting—the yield of a still. The instrument invented by Dr. Werner Siemens, the well-known Berlin telegraph manufacturer, already comes very near the mark; and the Prussian Government had it in view when attempting to bring about the change of system. The only reproach that has been made to it is that it is too tender. Though not working, but only taxing machinery, such an instrument would be already now, and will be still more in future, one of the practically most important engines of the world, the state financier's most effective weapon, his means to compel every one, who wants to indulge in voluntary consumption, which at the same time is waste, first to fulfil his duties towards upholding that social order which permits him to do so. The reward of such an invention can be large, and will be large; therefore it will be made, if it can be made. And are we to believe that it is impossible to lock up a running liquid, and measure it, and weigh its gravity while it runs, even may the mixture vary from minute to minute? The human mind can boast of greater achievements than this! The other hindrance proceeds from the apprehension of our distillers, and their allies the landowners, that the excise once being reformed, it will soon be raised. To raise it while levied from the wort would be a great unfairness towards our numerous smaller second-class distilleries, which are always much behind the larger ones in the per-centage of their yield from the wort, for it would

increase the difference between the amount of excise actually paid on the spirit by the one and by the other. They are perhaps quite right in supposing that, once reformed, the excise *will* be raised. But just for this reason their opposition to the reform has no lasting chance. It is too easy to bid them mind their own business. And there is a whole covey of restless and prying birds abroad in Germany that will continue to sing the song of "Tax the spendthrift, tax the drunkard, tax the smoker; turn the screw upon them, as the English Chancellors of the Exchequer so beautifully have managed it." There is one among them who has yet to atone for the mean and shabby trick of having cheated a well-disposed and confiding Government out of the petroleum duty. Will he not take good care of the smoker, who lights the pipe instead of the lamp; and of the drunkard, who illuminates his brains instead of his working table?

The case, therefore, between the British distiller and his real and almost only competitor at present, the German distiller, stands thus: that between them no countervailing duties whatsoever are called for; neither in Germany for protecting the German distiller against the English premium on exportation, because with all that premium, the importation of British spirits into Germany is out of the question; nor in England, for protecting the British distiller against supposed advantages of the German distiller, the results of the English excise. The English countervailing duty is, protection against the *potato;* that is all. One-fifth of malted grain, four-fifths of such potatoes as prove richest in starch, and in years when the potatoes are deficient in starch, the necessary admixture of treacle or molasses, and the wort concentrated as much as possible. That is the way to countervail what a duty never can countervail. Filtration through carbon, I dare say, has been imitated long ago; but there is another technical contrast which deserves attention. In Germany the one distils the plain spirits, and the other rectifies them; or, if it be the same person, then he does it in two different establish-

ments. This, in Germany, is now almost the rule, while in Great Britain, I am told, it is the exception. It renders it possible to combine the distillery of plain spirits with husbandry, or to carry it on at least where the potatoes and the corn, or even where the sugar manufactory for feeding the distillery, are nearest, together with the acres that are to receive the manure from the cattle which the distillery feeds, and to procure to the rectifying establishment the advantage of removing, with its warehouses, to where the market for spirits is.

Now all this can be done in Great Britain as well as in Germany—and will have to be done, ere long, be the countervailing duty kept up or not—if the British distillery is to keep the ground it is still in possession of. Potatoes, once allowed as material for distilling, can be amply furnished by Ireland, and that island may even, to the great advantage of its husbandry, see distilleries of plain spirits from potatoes spread over most of her counties, while their rectification may take place in England, or at some central mart in Ireland itself.

Protection has done in this case, what it has always done; it has prevented the native industry from gathering to the place inside the frontier, where it would thrive most and do most good.

Our distillers avow that British spirits are inferior only to the very best produce of theirs, which chiefly finds its way to France. To continue the contest is still possible for British distillery, perhaps abroad as well as at home; but abroad, surely, only when the British distiller, compelled to it by a *fair* contest at home, learns something from the German distiller.

There is nothing too to be countervailed in the British Custom-houses of comparative advantages enjoyed by the distillers of third countries. They altogether —even the Americans and Russians not excepted—at present count for next to nothing. From Russia, indeed, that is to say, from Russian Poland, plain spirits are now imported even into Germany; and, what is most significant, *mainly* into Germany. But they are imported by the German rectifiers, and have been distilled

at their orders, and on their venture, with the help of their capital. It is merely an extension of the German distillery industry, to the potato soil of Poland, a neighbouring country so extremely alike in its natural resources to the Prussian provinces that encircle it on the western side.

An excellent occasion thus offers itself for the first time *sincerely* to apply the principle of Free Trade to international commerce in an *excisable* commodity between two states confessedly bent upon ridding the world of the evils begotten by that tenacious and monstrous self-deception of nations, protection—a mathematical error, and, as such, even less defensible than the almost poetical one of belief in witchcraft, with all its sanguinary results. For the free trade in spirits, which hitherto has been promised to us Germans in some of our commercial treaties—England is *not* guilty of such an empty promise—has turned out to be a sham. Of Italy I have spoken before; but even a Government, so highly enlightened in economical matters as that of Belgium, has now, in face of our colossal exportation, put a construction upon its treaty obligations, in the management of the Belgian excise, which bears no scrutiny.

If my public proposition, that a new and *substantial* commercial treaty, including the customs tariffs of both states, ought to be concluded between Great Britain and Germany, should please on both sides, the first practical step would have to be a joint inquiry—as took place on the occasion of the Anglo-French and the Anglo-Austrian Treaties—to establish whether the English countervailing duty on foreign spirits is called for or not; and whether Great Britain has not to suggest to Germany some alterations in her management of the excise. I do not think that occasion will be found for this; but it would be a healthy precedent for treating excise regulations as belonging to what discriminates between Free Trade and Protectionist policy.

This done, and England consenting *either to increase the excise, so as to equal the customs duty on spirits*, or to take off the *whole* countervailing duty on foreign spirits

of whatever origin, settling it with the British distiller as she thinks fit, at all events allowing them to distil from potatoes, while such as prefer to give up competing altogether, may turn brewers, if they like, the turn would come of the German customs tariff.

It is *not* in my domain on which points of that tariff the English attack ought to be directed. It is the business of England to select as English interests prompt. Our tariff, fortunately, is now cut down sufficiently to enable studying it without wearing the reader out with *ennui* and impatience. It is a Protectionist fortress still, but a miserably dilapidated one. The Free Trader's hand, which once unwillingly and unwittingly built it, has since been heavily down upon it. The ramparts have crumbled down here and there, and have filled up the ditches; large part is razed to the ground. Inside there is a gang of traitors, who have hoisted a white flag, and are making signs to the enemy, with a shameless publicity; some say, imitating the common practice of the French, that the governor himself is a traitor. I do not believe a word of it; but I believe that he greatly prefers attacking to defending fortresses, which have proved to be nothing but starving prisons for soldiers and civilians.

Though we have cleared off much rubbish, the inventory of our tariff contains a good deal of it still. With what can we serve you? Buy, buy, buy! good things can be had at a bargain. For what does it signify, if the English consumer has to pay fivepence less for the gallon of brandy; or—should you prefer raising the excise to lowering the customs duty, *which to us is just the same*—if the English Treasury gets the fivepence, gathering into a respectable figure of pounds sterling? And that, moreover, instead of the British distiller squandering them away in unnecessarily wasting bread and beer stuff, instead of patronising the Irish potato market? What does it signify, if in exchange, you get, for instance, 5s. more for a ton of pig iron, or 15s. more for a ton of soda, or 25s. more for a ton of flaxen yarn, or if you have to pay £5 less for a ton of

rags? For the German customs duties, or duties on exportation on these commodities are all ripe, not for reduction, but for abolition.

At this year's annual dinner of the Cobden Club, on the 24th of June, at Greenwich, Sir Louis Mallet, in replying to the toast of the prosperity of the Cobden Club, said:—

"And when I look around me and see the numerous distinguished men of other countries, and of our own, who have come to our annual celebration to-day, animated by the same thoughts, and inspired by the same hopes, and have heard the cordial response to the invitation of our chairman, I feel more than ever that the cause which unites us is a living force, which is destined to prevail over national prejudices and class jealousies, and to command the consent of mankind. This is a time when it is especially needful for us Free Traders to renew our efforts and re-assert our principles, opposed, irreconcilably as we must always be, to the economical doctrines which find their natural expression in war and revolution, and which, whether in the name of Protection, which is the spoliation of the many by the few, or of Communism, which is the spoliation of the few by the many, are alike destructive to the common interest of all, and to the foundations of society itself."

Yes, this *is*, indeed, such a time. Very well, then; on for it, and at them, and that shoulder to shoulder. *Who* are they, the whole lot of them, who, for a passing moment in history, have been able to take advantage of our perhaps too great confidence in the self-acting power of truth, when once revealed, and are now howling before the crowd in the square, or whispering into the ears of rulers, or inculcating upon the innocent minds of youth, that liberty of earning your bread in your own way is but sounding brass; that the key to the mysteries of human society is not to be bought so cheaply, and that, did they themselves only choose to speak out fully, which they must ask permission of not yet doing, the whole world would stand aghast at the profundity of the new gospel?

Honest working men, carried away by the current—now so broad and all-absorbing—of popular thought on public questions, spending their leisure hours in reading what haphazard places into their hands, or in listening to such speakers as go to the audience because the audience does not come to them, are they, as far as they have become adversaries of liberty, adversaries that need be counted instead of weighed? Because their heart got warm *before* their head got clear are they to be despaired of, instead of, on the contrary, inviting us to *complete* their education in political economy? They have heard the bells ringing, and that is a clear advantage; they only do not yet know where to find them, and there we help them. Because they have been lured, by quacks into hunting after the vanishing mirage of peculiar social mysteries, it is only all the more full of good promise, that the play of liberty itself is the greatest of all mysteries, that what they have been told be too simple to be true, in reality has to be pursued through an almost endless maze of complications, before full justice is done to it; and that what they have been told be shallow, in reality is tremendously deep.

And youngsters fresh from university, to whom the job has been too tough of getting through this maze, and who have turned to "philosophy of history," or "ethnical psychology;" that is to say, to pretended sciences in which everybody can shine by dazzling analogies instead of strict logical and mathematical deductions, and now are calling the grapes sour, that are hanging too high for them—are *they* adversaries that need *either* be counted *or* weighed?

Or what am I to say of the descendants of the ancient Roman augur and haruspex, the prophets of every description and denomination who, seeing their trade slackening by a *solid* road to universal well-being having entered into competition with the airy bridges on which they are collecting their toll, have hurled their *anathema sit*, as Pio Nono has done in his famous encyclical letter against political economy?

Finally let me mention the most hapless company

among them all, consisting of not a small number of so-called possessors of political economy at our German universities, so-called as *lucus a non lucendo;* seduced in their youth, in an evil hour for them, to covet a place, their title to which their colleagues in the senates were unable to examine. With Germans, more than with other nations, it often happens, that man *will* stick to what he is least fitted for, particularly in scientifical disciplines. The less a German can understand a thing, and the more it makes his brains turn with giddiness—finally brought on by his fruitless attempts—the greater will be his reverence for it, and the higher his opinion of himself, as having mastered it already so far, as he believes to have succeeded in doing. Thus these unfortunate men offer the strange spectacle of preaching and teaching every one his own peculiar political economy, a doleful *galimatias*, to which nobody listens, and before which even the youngest students run away after having attended one or two lectures.

The European Free Trade party, which is one and the same, and must be so by the nature of its errand, in my eyes, is guilty of even a little cruelty in giving far too much breathing time to error, which grows first in the dark, and then, emerging into the light of day, surprises you at once in the shape of a whole herd of hideous mooncalves. The world will always have something healthy and substantial to do, if it is not to go astray—*Müssiggang*, says the German proverb, *ist aller Laster Anfang*—idleness is but of vice the beginning. For clearing again the atmosphere it is by far not so important, to fight the cloudy spectres which obscure it, as to *resume work* with distinct practical objects. And for that we Free Traders as yet need not go out of our old beaten track. One thing after the other! We have not yet done with the custom-houses. The progressive movement expressed in the commercial treaties, which is but the spreading wave from the decisive commotion in 1846 in London, must be stirred up again and again, the action proceeding from the centre towards the periphery, till everything is done. What we want is

reiterated *discussion*. It is to be hoped, that the prospect of a new Anglo-German Treaty will bring it on, on both sides of the water. In Germany it can only be the old discussion between Protection and Free Trade; in England it must needs extend to the question of the correct way to handle excise and customs duty in combination, and with that to the question of the correct way of taxing consumption in general.

We Germans, who have listened to the speeches in Greenwich, in the mean time *have acted.* Once more the Congress of German economists assembled at Lubeck on the 28th of August, has given notice to whom it concerns, that a further adjournment of tariff reform in Germany will not quietly be submitted to. In our country it is fully understood what this means. The history of the resolutions of the Congress is reflected by the history of actual reform in Germany. A young and able member of the German free trade party, Dr. Eras, Secretary to the Chamber of Commerce of Breslau, opened the discussion on what was further to be done on the part of Germany, to promote international free trade, by recommending this draft of a resolution:—

> 1. The system of modern commercial treaties, with its general as well as its special reductions of customs duties, and with the most favoured nation clause, has hitherto proved itself to be an efficacious engine. It is, therefore, recommendable to apply it further, and to draw such countries, which hitherto have kept aloof, into the circle of this system.
>
> 2. Should one or the other of the countries, which already have entered into it, resolve, either influenced by political currents or under the pressure of financial difficulties, to recede from the path of free trade reform; then this ought yet to be no reason for the others to change their commercial policy. Retaliatory tariffs are exactly as damaging to the national as to the foreign household, and therefore ought to be

rejected in the national as well as in the international interest.

3. The abolition of protectionist customs duty ought not to be delayed or adjourned with a view to bargain, in exchange for their abolition, reductions of foreign customs duties.

4. The identical designation and subdivision of taxable commodities in the customs tariffs is a lively-felt want of modern commerce, and the states tied together by the modern commercial treaties ought soon conjointly take steps to satisfy this want.

Now this rather wordy draft of a resolution did not seem to me to be quite to the purpose we had at heart, and I moved, as an amendment, to strike out the whole and to insert instead:—

1. The abolition of such customs duties, as have for their object to impede international division of labour, ought to be continued without intermission and without heeding pretended damages that would be inflicted on existing industrial undertakings.

2. With a view to this it is advisable for at present to keep to the road opened by the commercial treaties with generalised tariff reductions.

In defending the amendment I made no secret of my wish to see a new commercial treaty concluded between England and Germany, embodying on one side the abolition of the countervailing duty on foreign spirits, on the other the abolition of the duties on raw iron, soda, flaxen yarn, and of the duty on the exportation of rags.

Two riders were moved to my amendment, both proceeding from uncompromising Free Traders. The one moved by Dr. Soetbeer, late syndic to the Board of Trade of the free city of Hamburg, was this:—

3. But between such states as rigidly carry

> out correct principles in their commercial legislation, their customs and excise departments, and their administrations, commercial treaties are superfluous, and not recommendable.*

The other, moved by Herr Nessmann, head of the Statistical Department of Hamburg, merely wished to have the words at the conclusion of the first sentence of my amendment replaced by the still more merciless and indeed more unambiguous language:—"And without heeding damages that *might* be inflicted on existing industrial undertakings."

A third rider proceeded from an Austrian gentleman, Dr. Dorn, editor of the *Lloyd Journal* at Trieste. Its purpose was, to hook the recommendation, contained in the last sentence of Dr. Eras's resolution to my amendment, but somewhat altered, and made tacitly to point to Germany and Austria, proceeding with the identification of the nomenclature and subdivisions of their respective tariffs, without waiting for others.

The divisions went off very clear. All the three riders were carried, with more or less majority, and then the amendment with them against but a few stray votes. The final division was none; for the resolution, as it now stood, was carried *nem. diss.*

Our flag is hoisted, our deck is clear, our gunners are at their pieces. The German Free Trade Party is an old weather-beaten ship, but yet not struck off the register. What have they to say on board the Admiral ship?

* This resolution referred only to states which, like Hamburg and Bremen, have no customs duties—properly so called—and in which sound principles of commercial legislation have been adopted as an essential element in the national policy.

THE ENGLISH COINAGE QUESTION.

By John Prince Smith, Member of the German Parliament.

(Translated from the German.)

The English Government coins the English gold coins gratuitously. In return for gold bars it gives sovereigns and half-sovereigns containing exactly the same weight of fine gold as it receives. The expenses of coinage form an item of expenditure in the budget of the state. But the present Chancellor of the Exchequer, Mr. Lowe, has raised his voice against the gratuitous manufacture of coins. Admitting the necessity of coinage by the state, as a public guarantee of full weight and due alloy, on what grounds, he asks, can merchants, importing precious metals from gold-producing countries, demand that their raw produce be transformed into manufactured coins at the expense of the state? As well might corn-merchants ask to have their corn transformed into flour by the state. Coining at the public expense, indeed, takes place only in England. In other countries the mint purchases precious metal only when obtainable at a price that covers the cost of coining; the same rule applying to gold coin as to all other manufactures. Why should the English Mint be thus obliged to act in contradiction to a generally recognised principle of political economy?

The protest of the Chancellor of the Exchequer is economically quite legitimate. To impose a coinage-due to the amount of the cost of coining is not only justifiable, but even, as we shall show, economically right. But Mr. Lowe has expressed the opinion that the abolition of gratuitous coining would be best

effected by diminishing the weight of the sovereign. The former nominal price should be still paid for gold bars, but it should be paid in lighter sovereigns; so that a less fine-weight of gold coin would be returned for a given weight of uncoined gold. By such a proposal, however, Mr. Lowe mixes two questions entirely distinct from each other, and which ought to be kept strictly separate. Gratuitous coining may be abrogated, and yet the coin not depreciated; or the coining may continue to be gratuitous while the coins are issued in lighter weight. But these two measures have no necessary correlation to each other. The effects of the one would essentially differ from the effects of the other; and the grounds of justification would be quite different for each. It may turn out, it is true, on close examination, that the effects of the two measures might in some respects counteract each other, and that so far, in case both should be simultaneously adopted, the disturbance attendant upon them with regard to money matters might be of a mitigated character. But in order to be able to judge of the results of the combined effects of the two measures, each must previously be examined by itself.

In England Mr. Lowe's proposal is deprecated by many persons, and on very different grounds. It is, however, difficult to follow all these various reasonings, the leading points of view not being strictly kept asunder by the disputants. For they mix together the relations between uncoined and coined gold—between the gold coins of different countries—and between coin and merchandise. They thus confound the very distinct questions relating firstly to cost and value, secondly to rates of foreign exchange, and thirdly to average market prices. We will try to elucidate the question by considering each point separately.

The cost of coining is stated for gold coin to be about one-fifth per cent. But Mr. Lowe thinks the Government should strive to maintain the full standard of the gold coin issued, by re-coining and restoring to their full weight all depreciated coins returned to the Mint,

whereby the coining expenses would be raised to about one per cent. If, therefore, sovereigns of the same fine-weight as hitherto were issued charged with a coinage-due of one per cent., the value of the sovereign, he argues, would be enhanced one per cent. to the prejudice of all debtors. To avoid this, the fine-weight of the sovereign should be reduced from 113 grains fine to 112 grains fine; the lighter piece, with the addition of the coining expenses, would thus possess the same value as the heavier piece now coined gratuitously.

The assertion that the present sovereign of 113 grains would be raised one per cent. in value by a coinage-due of one per cent. being charged, rests solely on the assumption that the market value of a thing is directly determined by "cost of production." But this is one of those misconceptions which have contributed most to confusion in economical questions. The true state of the case is as follows:—A coinage-due is levied by giving in return for a certain quantity of precious metal in bars a lesser quantity of coined precious metal; or, what is the same, by demanding for a fine-weight paid in coin a larger fine-weight in bars. Supposing, then, the British Mint should demand from the gold merchants for one sovereign 114·13 grains fine gold in bars, in lieu of 113 grains as hitherto, the value of the sovereign, asserts Mr. Lowe, would rise one per cent., the amount of the coinage-due. But the value of a determined quantity of coin is only shown and only measures itself by the greater or lesser quantity of merchandise which can on the average be obtained for it in the market. Indeed, as is well known, a rise of the value of money is equivalent to a fall of the mean prices of merchandise in general. Now, is the Chancellor of the Exchequer really of opinion that in consequence of the adoption by the Mint of this new standard all merchants would consent to receive lower prices? He says so, repeating a common syllogism; but if he had more closely examined the subject, he could never have come to such a conclusion. For every change there must be an efficient cause, a stringent force.

Sellers lower their prices only when forced to do so, and they can be forced to do so only by a relative diminution of demand. A diminution of the demand for merchandise resulting from an alteration in the gold standard can only be caused by a curtailment of the medium of payment. And such a curtailment can result as respects the gold coinage, only through a diminution of the quantity of gold coins upon which the system of medium of payment is based. The decisive question consequently is, how far the contemplated charge of a coinage-due might diminish the quantity of gold coin now current in England. If the British Mint were the only mint charging, in addition to the cost of coinage, also the expenses of repair, the gold merchants would go to other mints manufacturing cheaper; for instance, to the Paris Mint, which only deducts one-fifth per cent. This, no doubt, might in the long run result in a drain of sovereigns and a scarcity of the English currency, based as it is upon gold. But Mr. Lowe expressly declares that the imposition in England of a mint-due of one per cent. must be preceded by treaties ensuring the same measure on the part of foreign countries. Now if the mint-due were the same everywhere, so that gold bars might be converted at the same cost into either sovereigns, or napoleons, or imperials, there would be no reason why a proportionately less part of the gold annually produced should be coined into sovereigns, than if the coinage-due did not exist. Nor would there be any reason why the British Mint should receive a smaller proportion of the gold produced than at present. For the alleged gratuitous coinage in England does not exist in the sense that the gold merchants receive in London, without cost, sovereigns for their bars. In point of fact they must have their bars coined through the intermedium of the Bank of England; and the latter charges, on immediate payment, a commission amounting to about one-fifth per cent. for interest and assaying, or about as much as the expense of coinage in Paris; so that hitherto the renunciation on the part of the British Mint of having its costs reimbursed must so far have

failed to operate as a premium inducing the gold merchants to import chiefly into London. But if the universal adoption of the coinage-due would not presumably lessen the share of England in the import of gold, the question still remains whether, and to what extent, a generally increased coinage-due would tend to diminish the production of gold; for such a measure would obviously be tantamount to the raising of an actually existing duty on gold mines from one-fifth per cent. to one per cent. Now it cannot be supposed that in consequence of such a raising of the coinage-due a single ounce of gold less would be produced than under the present system. But supposing even, that as a result of that measure the mines and diggings should become less profitable and the annual production somewhat smaller, it would still require very many years before any perceptible influence could be produced upon the total stock, and consequently upon the supply of gold forming the basis of the medium of payment, and of the value of money or mean prices. The assumption, therefore, that with the introduction of a mint-due of one per cent. the value of the sovereign, with its present fine-weight, would rise one per cent., must be considered utterly groundless.

Some persons, on the other hand, assert, in direct contradiction to Mr. Lowe, that the introduction of a coinage-due would have for effect to reduce by the amount of the duty the value of the sovereign. If in future, they argue, for a sovereign of 113 grains 114-grain fine gold in bars may be purchased, instead of 113-grain, it is arithmetically clear that the gold in bars has become cheaper; and as the sovereign, again, like every coin, has merely the value of the precious metal contained in it, it must lose so much of its value as the gold, on which its value is based, has become cheaper. Arithmetically, no doubt, it is obvious that, in the present case, the fraction representing the proportion of weight is $\frac{113}{114}$ if gold in bars be measured in sovereigns, and $\frac{114}{113}$ if sovereigns be measured in gold in bars. But measuring a single thing by a single other thing does

not give any clue to "value," because value signifies a proportion not to a single thing, but to all things in general. And when it is said that a coin has only the value of the precious metal contained in it, this means only that when one coin is compared with another of the same metal, the exchange par is determined solely by the proportion of their respective weight and fineness. But that the value or the relative purchase-power of the coins is not solely determined by the relative fine-weight, is shown by the fluctuation of the rates of exchange. The value of a coin is measured by "what I can buy for it;" and in this respect also the mintage (stamp) itself exerts an influence. With one ounce-fine of English gold coin more can generally be bought in London than with an ounce-fine of French gold coin; and in Paris usually less. The presumption, therefore, that the mere charging of a coinage-due would diminish the value of the sovereign is as unwarranted as the presumption of the contrary effect. In both cases the circumstance is not taken into account that a change of value can really only be the result of a change in supply and demand. On the one side a rise, on the other side a fall in the value of the sovereign, is assumed, without the proof that the supply of sovereigns would be more or less; consequently, it is not shown that in connection with the introduction of the said measure circumstances exist imperative enough to force buyers and sellers to submit to a change in the price of all merchandises.

We believe, however, that Mr. Lowe knows very well what has just been said. His assertion as to the rise of the value of the sovereign as a result from a mint-due had a very definite purpose—viz., the equalisation of the fine-weight of the sovereign with that of the twenty-five franc piece and the twenty mark piece proposed for Germany, whereby the system of British coins and the Continental systems would gain a connecting link, by the establishment of an international gold coin. Such a conjunction is highly desirable in the interests of general civilisation; but, unfortunately, the British

Parliament is wont to consider first the national advantage, and is not easily accessible to cosmopolitan considerations. In a word, we can only suppose that Mr. Lowe, in assigning such a bad reason for his proposal, did so only because he did not think the true reason likely to influence those with whom he had to deal.

The importance of an equalisation of the sovereign with the twenty-five franc piece and the twenty mark piece, and the consequent creation of a European coin, has as yet been little appreciated in the discussion on Mr. Lowe's proposition. All that has been mentioned, in a cursory way, is the convenience that would result for travellers from being henceforth saved the little trouble of changing their sovereigns into napoleons; though letters of credit are chiefly used by travellers. No doubt, if this were all, it would not be worth while to adopt a measure calculated to cause vast changes. There are, however, other and more weighty, nay, imperative reasons for the creation of an international coin. For by means of international payments are regulated, as every one has come to know, the value of money in each country, and its respective share in the general stock of precious metals. Economically each single country is merely a part of the World-Mart, the laws of which exercise a compulsory equalising influence on all, so as to leave to the individual countries an independent action only as regards the less important portion of their monetary arrangements. In the first place, the imports and exports of the different countries must be balanced, for which purpose it is necessary that the prices of merchandise in one country maintain a certain relation to those in other countries. Again, the general scale of prices in a country depends on the proportion there existing between the total amount of trade and the total amount of currency; and as the latter, however artificial, must be based to a certain extent upon precious metals, the paramount law of the World-Mart assigns to each country, from the total stock of precious metals extant, a share which cannot arbitrarily or separately be

augmented or diminished, but is only changed where a change occurs either in the total quantity of merchandise exchanged, or in the proportion of cash payments, or the proportionate amount of the metallic basis of currency—changes which can only take place gradually through the development of production and credit. The practical operation of this law of the World-Mart, so far as regards the distribution of the world's stock of precious metals, is extremely simple. When in one country the prices of merchandise are on the average relatively higher than in others, merchants prefer selling there to buying; more merchandise will be there imported than exported, and the difference will be balanced by exports of precious metal. Now, in so far as the relatively high range of prices in such a country has been caused, as is generally the case, by an extraordinary strain on credit, and the latter again had been made possible by the increase of artificial mediums of payment resting upon a metallic basis, the withdrawal of precious metals would effect the requisite correction, by enforcing the diminution of the artificial mediums of payment, the restriction of credit, and the reduction of a range of prices which had been too high for the equilibrium of trade.

The sooner this correction of relative prices by means of international payments of specie takes place, the less can the misproportion that is to be corrected extend, and the more easy it is to remedy the evil when still in its first stage of development. Unfortunately, under the present state of things, the healing process only supervenes when the misproportion that has arisen has already caused serious disturbance. Thus the reaction on the part of the World-Mart, sure at last to come for the restoration of the disturbed equilibrium, finds, at its tardy appearance, complications the solution of which assumes the character of a grave crisis. Now it is precisely by the diversity of the systems of coins that the international payments in specie are rendered difficult, and the correction of prices tardy. A great obstacle to such international payments at present, in addition to the Mint-dues, lies in the unavoidable loss of time and, consequently,

loss of interest entailed by recoinage; for which reason the sending of specie is delayed as long as possible in the hope that a change of the situation may supervene and the operation be thus rendered unnecessary. If by the creation of an international coin the corrective movements of specie were adequately facilitated, the misproportions resulting in a particular country from operations of credit and paper currency would be stifled in their germ and crises often prevented. In short, since international trade has assumed such vast dimensions, the World-Mart has become in point of fact the reigning power, and therefore requires its World-Coin, which alone can quickly and easily effect those equalisations of price which markets and money are intended to accomplish. Different coins, as means of payment, are become an anachronism in an age when there exist no longer different markets, but only integral subdivisions of one sole World-Mart. And since it is the destination of coin to be taken in payment, it will be so much more perfect the more widely it circulates. The sovereign of 113 grains is a medium of payment only for the British Empire. The sovereign of 112 grains, on the contrary, would be a current coin for the greater part of the Continent also, and would easily force its way to the New World, and be elevated into a World-Coin. The pound sterling, if containing only 112 grains, would far extend its present limits and acquire proportionately enhanced usefulness.

Independently of these economical grounds for the creation of a World-Coin, another consideration speaks in its favour—viz., that the interest of general civilisation bids us to remove as much as possible all barriers that sever nations and impede their mutual understanding. If even in our times different and neighbouring nations can still be easily incited to reciprocal enmity, it is not because their economical tendencies are opposed, or even, in most cases, their political interests incompatible, but because they feel estranged, do not understand each other, find everywhere in other countries many things different from things in their own, and in fact only

understand that with which habit has familiarised them. This, then, would be the great humanitarian object of a World-Coin—viz., the closer union and friendship of nations. Moreover, the introduction of such a coin would only be the necessary complement, the corollary of universal weights and measures.

For the diminution of one grain of the weight of the sovereign such cogent reasons therefore exist, that we need not take any account of the reason which Mr. Lowe has advanced as a pretext for it. Consequently the further proposal, that the Government should undertake the repairing of depreciated coins, may also be dismissed; for obviously if every one had the right to receive from the Mint full-weight sovereigns for light ones, no one would have an interest in being careful only to accept good gold pieces; and many might even carry on a good business in clipping gold coins. If, therefore, this part also of Mr. Lowe's proposal is unpracticable, the only remaining resource is to levy a coinage-duty of the amount of the real coinage-expenses, say, about one-fifth per cent., a measure which would not necessitate any treaties with foreign states; and at the same time to issue a sovereign of 112 grains, and consequently to exchange 100 old sovereigns, deducting the coinage-duty, for 100·69 new sovereigns; or to give for 20s. of the present coinage about 20s. 1½d. of the new coinage. The operation would be the more easily effected if the Mint were to give for old sovereigns received, notes, which would be exchanged (after a certain term, allowing time for recoining) against new sovereigns. This exchange would indeed be effected rapidly and easily, inasmuch as every one would gain 1½d. on each sovereign which he took to the Mint.

But, on the other hand, the manifold interests of property and trade which will be affected by a change of the existing standard, must not be overlooked.

At first sight it might appear arbitrary to proclaim by law that existing liabilities, based on the present standard, should be acquitted in the proposed new coin at its nominal amount—that is to say, 112 grains in lieu

of 113. "The present sovereign and the new sovereign proposed by the Chancellor of the Exchequer," says a writer, "are two different things, and it must be considered a deception to use old names for quite a new thing, to alter a coin in its intrinsic value, and yet to retain its former denomination;" and he goes on to cite the authority of the late Sir Robert Peel, who warned the Parliament to beware of altering the coin, the balance medium between service rendered and service received in general intercourse. We unreservedly admit that the Legislature must be careful not to tamper with existing obligations. The question might, therefore, arise, whether it would not be just, on the introduction of the new international coin, to ordain that debts in old sovereigns, when paid in new sovereigns, shall be charged with 2d. extra per sovereign. He who had 113 grains fine gold to receive would then really receive 113 grains without curtailment. The letter of the compact would thus be fulfilled. But would equity have been preserved? Would not the obligation of the one have been made heavier, while a gain were secured to the other? If in consequence of the altered standard all prices were raised in the proportion of 112 to 113, the premium would be just. But it is quite impossible to assume that such a rise would actually occur. The price of commodities, and of services, are not at all minutely calculated, but are *rounded* off in order to bring the money divisions into an easily calculable relation to the divisions of measures, weights, and periods of time; and in this operation the quantity of one per cent. is too small to be throughout practically taken into account. This the public soon finds out in countries where the value of the medium of payment greatly fluctuates, as is the case in Austria. There, under the system of irredeemable paper money, the paper florin is an assignation sometimes on 11 grammes silver, sometimes on only 8 or even 7 grammes. Now when the weight of silver assigned by the paper florin becomes altered to any considerable extent, no doubt prices change in a proportion more or less corresponding; but a fluctuation in the

agio on silver of only one per cent., remains altogether without influence on prices. The same result would attend the reduction in England of the sovereign from 113 to 112 grains. Retail prices, which play so great a part in the general intercourse, because consumption in the long run chiefly depends on the retail trade, are counted in shillings and pence; and as the farthing or quarter of a penny is little used, the smallest division money is practically the halfpenny. The price of an article that costs a shilling cannot even with the help of the farthing be altered by less than two per cent. Now what tradesman would venture to charge his customers with an increased price of a farthing upon a shilling? Were it only to avoid a disturbance of ordinary calculations, every one would oppose a general change of prices; and the power of habit is much too strong in the public economy to be driven out of its course by a change of only one grain in the gold weight of the sovereign. In the same manner rents, salaries, &c., would maintain their scale unaltered, in spite of the alteration of the coinage. It is easy to imagine the trouble that would arise from a change of about one per cent. in the calculations of public and private accounts, &c. To such a labour people only submit when compelled to it by absolute necessity. In the present case such an emergency does not exist; for the purport of the new regulation of prices would merely be to preserve unaltered existing claims and liabilities; and this end would be as well attained by the general agreement not to change prices at all, but on the one hand to accept 112 grains for 113 grains, with the faculty, on the other hand, to give 112 grains for 113 grains. Thus would such a slight alteration of the mintage be passed over with no perceptible effect on the home trade.

In the trade of England with foreign countries, it is true, the par value of bills of exchange, which is very minutely calculated, would be altered in proportion to the altered standard weight of the sovereign. Articles bought abroad with foreign money would in England be enhanced in price, calculated by the new standard, nearly

one per cent.; this, however, would not determine merchants to raise the selling prices, because such a rise could only be effected by diminished supply; they would, therefore, rather endeavour to make good their disadvantage by dint of increased activity and savings; and moreover, by the altered standard they would gain as much in the export trade as they would lose on the import trade. Those only who reside abroad, and draw their revenue from England, would lose about 2d. per pound sterling. On the other hand, Englishmen drawing interest and dividends from abroad would be gainers to the same extent. No one else would be in any way affected by the proposed reduction.

Lord Overstone, in his remarks on this subject, entirely discards all reference to the purchasing power of the sovereign. What can be obtained for a sovereign, he argues, is something which changes every day in proportion as the market prices fall or rise. He who demands a sovereign must run the risk of obtaining for it a smaller or greater amount of equivalents. The only fixed thing in the fluctuations of trade is the standard of the precious metal agreed on, and this must not be tampered with, so long as the inviolability of engagements is to be respected. We admit that the monetary standard of a country ought not to be altered, except in rare cases, and for a great and sufficiently national purpose. But this principle cannot be admitted to exclude all reform. If it were made absolute, it would preclude all changes in weights and measures, which are also fixed things in the fluctuations of trade, and in which a change causes perturbations at the least as great as those caused by a change in the gold standard. If then, as we hope, a reform of coinage of the proposed nature, and which would be so easily accomplished, is adopted in England with a view to the introduction of a World-Coin, it will be seen that Lord Overstone is wrong when he asserts that the market value of the sovereign, as being something quite undefinable, must be ignored in this question, while only the corporeal coin, the quantity of metal, be taken into account. For

if it were accordingly ordained that every debt based upon the old sovereign must be acquitted after the alteration of the standard with 113 grains fine gold, consequently with 20s. 2d. of the new coin, the debtor would be thereby injured and the creditor favoured, since no rise of prices equivalent to the premium would really take place. It is, no doubt, easier to assert the inviolability of a fixed standard of weight for a piece of coin, than clearly to comprehend its relations of value; easier to examine the size of the sovereign delivered, than the amount of the economical service rendered in the delivery. But in economical problems, after all, the appreciation of service and counter-service is the important point; and whoever ignores and obstinately preserves an external equality in no way decisive of the relations conceived, runs the risk of causing those very evils and breaches of faith against which he desires to guard.

When the French Government, in its wish to create an international coin, some time ago inquired in London whether any steps in this direction were contemplated, the British Government replied that so long as France retained the double standard, the equalisation of the sovereign with the five-and-twenty franc piece was out of the question, "because a common basis was wanting for an international coin." This answer put a stop to all inconvenient questions for the future, and it must therefore be presumed that this was intended. But however clever, diplomatically, this answer may have been, economically it cannot be justified. It introduces an irrelevant question. For the purpose of equalising the value of the sovereign and the five-and-twenty franc piece no other "common basis" is required than that both pieces be made of gold. The circumstance that the legal tender for large sums is in England only gold coin, while in France, besides the gold coin, it is silver coin also, is utterly foreign to the question under consideration. It may have been apprehended, perhaps, that, if silver became cheap, French five-franc pieces, which would then have been made of the exact value of a fifth part of the sovereign, would extensively circulate in

England, and a corresponding amount of sovereigns be withdrawn from the country. But a safeguard in this respect might be provided by a simple provision that foreign silver coins should not be received either by public offices or railways. At first blush it might indeed appear hazardous to coin the English gold coin of the identical value of the French gold coin, so long as France sells her gold coins at a fixed price in silver; for it might be a question whether under such circumstances France would not sell away the English sovereigns as soon as they had a value above the fixed price? But France must first *have* the English sovereigns before it could sell them. And as long as she can only obtain them at the full market value, her double standard can obviously not be used for draining the English stock of gold.

Moreover, if the British Government, incautiously interfering in the Continental standard question, caused the abolition of the silver standard in France, and, as a necessary consequence, also in Germany and several other countries which maintain it, the existing stock of gold would have to serve as the medium of payment over a widely extended area, and would consequently greatly rise in value; in other words, the general fall of all prices, which would thus be caused, would entail very extensive perturbations in the relations of property, and would in England itself be productive of very serious losses to the wealthy classes. This is a matter which well deserves the serious consideration of the English Government.

TRADE-UNIONS, AND THE RELATIONS OF CAPITAL AND LABOUR.

By Joseph Gostick.

Trade-Unions may be viewed either as societies which have arisen as necessary results of the present relations of capital and labour, or as combinations, more or less arbitrary, for the purpose of making certain changes in those relations. The intention of the present essay is not to plead for one or the other of these opinions, but to give such a series of historical notices of associations of capital with labour, in mediæval and modern times, as may, perhaps, assist readers in forming their own judgment on certain theories discussed in our day. The writer's own opinions may appear, but it is intended that they should be subordinate to the statement of facts.

I.

MEDIÆVAL GUILDS.

Our modern trade-unions have been described as legitimate descendants from the guilds and trade companies of the Middle Ages.* No doubt there is a strong likeness between some of the principles of trade-unions and those developed in the later history of the mediæval guilds; but the difference found between the two classes of institutions is, we think, more remarkable than their likeness.

We find no sure evidence that any such *permanent*

* "Die Arbeitergilden der Gegenwart," von Lujo Brentano (1871). The writer of the present essay is indebted to Dr. Brentano for several interesting notices of guilds and trade companies.

coalitions of workmen as the trade-unions of the present day existed in England before the eighteenth century. The nearest approach to such coalitions might be found, perhaps, among the builders' labourers of old times, whose relations with their employers were most like those now existing; but their coalitions appear to have been only temporary.*

A likeness in mere words is apt to produce in our thoughts a confusion of distinct facts. "Guild," "trade-company," and "trade-union" are three vague names. A "guild" is an association of men for any purpose whatever. The names "trade-company" and "trade-union" have obviously the same purport. But the mediæval trade-company was an association of both masters and workmen. The modern trade-union is an exclusive society of workmen. It is not to be found, as a permanent institution, in English mediæval history. We assert, in short, a want of continuity between the mediæval guild and the trade-union of to-day, while we admit that analogies may, nevertheless, be traced in some of the objects of the two distinct unions. If this view is correct it may have some importance. We shall be led to judge the modern coalition on its own merits, and shall ascribe to it neither the good nor the evil of any old institutions. Further, we may be led to the conclusion that in modern times so great a change has taken place in our social circumstances as to make it necessary to be cautious in judging them by any supposed historical precedents. A want of historical reading has often led men to describe their own times as unique. In the present day an extensive knowledge of history may also lead to that conclusion. These remarks may now be supported by a review of the chief associations of either capitalists or workmen, or of both, from the time of the oldest English guilds to the present day.

THE OLDEST GUILDS.—The origin of these societies is

* We do not dispute the fact that some coalitions of workmen like our trade-unions existed in France and Germany before the eighteenth century.

not to be sought in the *collegia*, the *municipia* or other Roman institutions. The guilds were mediæval, and their first object was the protection of life and property in feudal times. For this end they, in many instances, received the sanction of the Church. Beverley, for example, through the reputation of its patron, St. John, was made a sanctuary. Here monastic piety made possible the culture and industry which afterwards were guarded by the privileges conferred on the guild of Beverley. In times of violence, when merchant ships were compelled to sail in fleets for fear of pirates—when rights of seizing wrecks were claimed on coasts where the people put a very free interpretation on the word "wreck" commerce could not have existed without the aid of powerful guilds. They arose, therefore, because they were urgently required. Safety for property then encouraged commerce, and thus several of the old guilds in course of time became trading associations, and were styled *gildæ mercatoriæ*. Their privileges, either founded on religion, as at Beverley, or acquired by powerful associations of townsmen, were more frequently confirmed than originally granted by royal authority. In the times of the Plantagenets the two great mercantile guilds of London and Bordeaux had become identical with their corporations, and were so powerful that in some of their disputes they showed no great respect even for the authority of the Crown. Noblemen and bishops were proud of sharing the privileges of the guild of Bordeaux. Henry III. was a dealer in hides and one of the wine merchants of the guild there, not nominally only (as the Duke of Wellington was a merchant tailor), but in reality, and the Black Prince carried on a trade in stockfish.* Quarrels, excited by the opposed interests of monopoly in London and in Bordeaux, gave no little trouble to Edward I. and to his son. They wished to conciliate their subjects in Guienne, but durst not offend the guild of the City of London. Edward I. succeeded

* See "Histoire du Commerce et de la Navigation à Bordeaux," par Francisque Michel, pp. 47, 264.

rather as an umpire than as a sovereign in adjusting their disputes; but his son was not so fortunate. His laws were, in some instances, treated as subordinate to those of the London Corporation. And as late as in the reign of Henry VI. (1446), when the guild of Bordeaux had ventured to make claims for import dues on "William Abraham, an alderman of London," the Lord Mayor and the aldermen of the City addressed to all the king's ministers and officers in Gascony and in Guienne a dignified note, in odd Latin, reminding them that "from the Conquest, all citizens of London had enjoyed the privilege of free trade in all parts of His Majesty's dominions," and for any violation of their rights would indemnify themselves "by a seizure of any vessels and cargoes" belonging to the ports where such disrespect had been shown to the privileges of the City of London. The City was then truly an *imperium in imperio,* as it still remains in form.

So powerful did some of these old corporations become on the Continent, that, in Schleswig, the guild of Hetheby, in 1130, punished with death the boldness of King Nicolaus, who forcibly entered the town in defiance of their orders. "Am I to be afraid of a lot of tanners and cobblers?" said he, as he led his attendants on into the town. As soon as he had entered, the gates were closed, the townspeople were assembled by ringing the bell at the guildhall, and a fight took place in which the king fell and all his followers who defended him. In this instance, the guild seems to have included all the townspeople of Hetheby.*

The rapid growth of power in some corporations is explained by the fact that the interests of the crown and those of the guilds were often connected by their common opposition to the claims of the feudal aristocracy. In the oldest guilds it does not appear that the handicraftsmen, being freemen of a town, were excluded from membership. Such exclusion gradually

* "Die Arbeitergilden der Gegenwart," von Lujo Brentano, p. 19.

took place as a result of a division of labour, and of an increasing difference of position between wholesale and retail traders. The great London merchant was thinking of his cargo of Bordeaux wine, and perhaps, too, of wreckers and pirates. It could not then be expected that he could also be sympathising with the cares of the small handicraftsmen. Prosperity made the old guilds proud. On the Continent the distinctions of class were strongly marked, as Dr. Brentano tells us. The shoemaker learned to despise the cobbler, and the leatherseller looked down on the shoemaker. "No bakers, nor butchers," "nor dealers in hides," "nor costermongers who bawl in the streets," "nor men with dirty hands and blue nails," admitted; such were some of the new regulations; and, at last, we find it decreed, that a working man "must purge himself, by abstinence from work for at least a year and a day," before he could enter the sacred chamber of the guild. These and other changes led to schisms in the guilds. Several associations of tradesmen were now formed in one town; but this division was, in some instances, followed by reunion, so as to form again one guild. Such a reunion took place at Berwick-on-Tweed in 1284. These divisions were temporary and unimportant when compared with those which we have now to describe.

THE TRADE COMPANIES were first instituted by coalitions of small capitalists and workmen, and were, in fact, distinct *new guilds* for the several trades which they represented.

They had several regulations like those of the modern trade-unions: they enforced the law of apprenticeship; had rules against "systematic overtime;" kept certain holidays; fixed the respective numbers of apprentices and workmen to be employed by a master; had rules against working with men not regularly introduced to the trade; and employed against defaulters who had not paid up their subscriptions to trade funds a species of "rattening," which consisted in taking away their

tools. According to some of these rules the companies acted as societies for restricting competition; but they served also as "co-operative societies," though not in the modern sense of that title. In the earlier times many apprentices and journeymen might reasonably hope to rise and become masters. The restrictions, therefore, to which they submitted for a time for the good of the company were also for their own benefit. Hogarth, at a time far later than that of which we are writing, represented the career of "the good apprentice" as closing in a partnership and a marriage with his master's daughter. This picture is too rose-coloured to be a fair type of reality. But it is true that, in the earlier times of the trade-companies, nothing like the distinction that now exists between capitalists and working men was known. The apprentice was treated "as one of the family;" and at the end of his term of seven years was admitted a member of the trade. All disputes between masters and workmen were settled by appeal to the President and the Court of Assistants of the company. In the older records we find scant notices of such disputes. The oldest companies were, as we have said, in a great measure co-operative. In the time of the Plantagenets the working tailors of London were also importers of cloth.

The main law of all the companies was to the effect that every man, before he could exercise any handicraft or engage in any trade in a town, must belong to the company representing that trade, and must pay his dues to its funds. It is obvious that such a law might be made more or less exclusive, according to the fees demanded for apprenticeship, and for full admission into a company. In early times these fees were small; but as the trades grew richer, they were regarded more and more as institutions for the investment of capital. It was supposed to be the interest of members to shut up their trade against competitors, to make apprenticeship dearer, and to render it more difficult for workmen to set up in business on their own account. This seems to have been the motive of the German trade rule that,

after serving his apprenticeship, a young man must travel for some time as a journeyman before he could be admitted into the *Zunft*, or trade-company. As the masters became more exclusive, their relations with their workmen and apprentices seem to have changed for the worse. We find now more regulations judged necessary for settling differences between employers and workmen; for cases of masters refusing to pay wages; for workmen leaving without giving due notice, and for many other occasions of disagreement. In the later times, when villainage was passing away, greater numbers of free workmen must have competed for employment in the towns. It is by no means clear that these were all subject to the law of apprenticeship, and the other trade regulations. There might then be found existing together increased competition in labour and greater difficulty in gaining a master's position in trade. Such circumstances would lead to a greater distinction between employers and workmen. The circumstances following the great pestilence that made labour dear also made the working men more prominent as a class. Their demands for high wages were then restricted by the well-known statutes of Edward III. Several "strikes" soon followed; but it does not appear that they were supported by any permanent working men's coalitions. We can hardly imagine that such institutions, if they had existed, could have passed away without leaving some distinct records; especially as the occasional coalitions of both workmen and apprentices for special objects are frequently noticed in English history. However that may have been, the happy patriarchal times described by some writers do not seem to have lasted long. The companies that had arisen in opposition to the oligarchy of the old guild became, in the course of time, as exclusive as they could make themselves. A great change took place in their whole spirit and character, as well as in their form of government. They had once been co-operative in the sense already explained. They had united, under one government and by a common interest, the young apprentice with the thriving

master, and the poorer tradesmen with those of their class who had had more success; but this co-operation became more and more associated with exclusiveness. The masters were afraid lest their funds should be too widely distributed. Those who had been Liberals when in opposition were Conservatives in office. The privileges they enjoyed had once been called liberties; and, though it may appear contradictory to speak of free trade in connection with the mediæval companies, their first self-assertion, as opposed to the régime of the old corporation, was a step towards freedom. But they used this freedom now to restrict trade. The development of industry had been their first motive. Now it was rather the safe holding of the wealth which they had acquired by privilege and monopoly. They made their privileges hereditary, as they still partly remain in the companies of the City of London. The widow of a member possessed attractions more powerful than personal charms; and could transfer, with her affections, all her late husband's privileges, as "worshipful" haberdasher, or tallow-chandler. Capital was now required for entering a company, and new conditions made it more and more difficult for journeymen to set up in business on their own account. Poverty was identified with vice; for both "sons of peasants" and "illegitimate children" were excluded. The fee for apprenticeship was raised by the twelve great companies from time to time from ten to forty, and even to a hundred pounds. In the old times it was only half-a-crown. To make up for a want of the old realities, union against feudal oppression and the promotion of industry, there arose now a proud spirit of *caste* presiding over great feasts marked by pretentious display. Some of the plate and other furniture for great dinners are preserved as relics, and, we believe, are still applied to their proper use by the existing representatives of the old companies of the City of London.

Further research is required to make clear the history of the transition of power out of the possession of the old guild into the hands of the trade-companies. It

took place by no means suddenly. Several of the companies had to pass through a hard contest for their privileges. We find, however, that, in the time of Edward II., no person could be made a freeman of the City of London unless he belonged to one of the "trades;" and in the following reign the administration of the corporation, as the Court of Common Council, was chosen from the trade guilds, and not from the wards of the City. The Lord Mayor must be a member of one of the twelve great companies. The power to make or change trade regulations was transferred from the old guild to the trades, and their privileges were confirmed by Edward III., who was himself a member of the Clothworkers' Company.* A great change took place in the sixteenth century in the form of government of the London companies. Instead of the election of officers by a general assembly of members, as in former times, appointments were made by a committee, or "Court of Assistants," and the members of the company were divided into three classes, the "livery" including the richer members; the masters; and the working men who were freemen. Vestiges of the superior position of the livery still remain in the City. In short, the companies became castes. Their later history can supply no encouragement to those who would found any similar institutions on restrictions of trade. They are as unsuited to the wants of the present age as the City now is to represent the millions of people or undertake the government of modern London. The trade guilds, in their best days, were co-operative for the promotion of trade and the maintenance of social order. In later times they were coalitions for the restriction of

* The City of London still retains the forms of mediæval realities, and maintains the character of an *imperium in imperio*, or of a distinct commonwealth. The "ward" corresponds with the hundred of a county, or the "wapentake" of Yorkshire, and the "precinct" is the township. For a state so small the institutions are complicated and the officers are numerous. There are still reckoned in all ninety companies, of which twelve are "the great companies." These include the mercers, grocers, drapers, fishmongers, goldsmiths, skinners, merchant tailors, haberdashers, salters, ironmongers, vintners, and clothworkers.—See Herbert's "History of the Twelve Great Livery Companies of London."

industry. Their decay was the self-evolution of the principle of exclusiveness contained in their original constitution. They were based upon privileges; future co-operation must be based on freedom.

In physical science, when a sequence is frequently repeated, it is supposed to indicate a law. The same results of exclusiveness that we have seen in England are found in the later history of the trade guilds on the Continent. They were abolished in France by the Revolution of 1789. In Prussia they were formally prohibited in 1810; but were again partly recognised by laws enacted in 1845 and 1849. These, however, were virtually soon repealed. In Austria some of the regulations of the *Zünfte* remained in force until 1860, and in Bavaria until 1868.

To recapitulate briefly—during the Middle Ages there were three forms of association for purposes connected with trade. The first was the old guild, the next was the trade-company, and the last was the exclusive workman's union. We question whether the last ever existed in any permanent form in England before the eighteenth century. Such facts as might lead to that supposition may now be noticed.

WORKMEN'S UNIONS.—To support the theory that trade-unions, such as now exist, were found in England in the sixteenth and seventeenth centuries, it is said that the relations of masters and workmen had become unsatisfactory in the later times of the companies, and that, accordingly, the workmen would have good reasons for forming distinct coalitions. This is true; but it only supplies a probability instead of a fact. The historical notices that, at first sight, appear favourable to the said theory are such as the following:—In 1387 three cordwainers were arrested for conspiring to raise wages, and in 1396 a coalition of saddlers for the same object was suppressed. Nothing is here said of any permanent society to which they belonged. An act of the reign of Edward VI. (2nd & 3rd, c. 15) forbidding handicraftsmen to conspire for limiting the hours of

labour, *also* forbids coalitions of tradesmen for raising the price of provisions. The Act does not, therefore, appear to be directed against any such exclusive working men's trade-unions as now exist. Among the regulations of the London clothworkers it is enacted that the President and Court of Assistants of the company shall appoint "the President of the Yeomanry;" but this, it appears, is a law for a subdivision of members *within* one of the old trade companies, and not for a distinct workmen's union like that of the *Gesellen* in Germany or the *Compagnons* in France. The riots of the London apprentices in the reigns of Henry VIII. and Elizabeth cannot be referred to for proofs of a permanent coalition. They were due to the special provocation given by the employment of foreign workmen in London. So the coalition among the apprentices during the Commonwealth for gaining new holidays, to compensate for some that had been abolished as superstitious, appears to have been merely temporary, and for that special purpose. We find, then, no proofs here of the existence of such societies as the present trade-unions. One argument to support the theory that they existed in England in the sixteenth and seventeenth centuries is founded on the statement that, during that time, German workmen, who were members of the *Gesellen* societies, were employed in England, and might have introduced here their traditions.*

But the main cause that led to the formation of those brotherhoods (*die Gesellenbruderschaften*), did not exist in England. It was a German trade rule that after the expiration of the term of apprenticeship, which was shorter than in England, the journeyman must pass some years in travelling from place to place, and in working under several masters, before he could be admitted as a master in his trade. It was mainly for their own mutual assistance, during these years of travel, (*Wanderjähre*), that the *Gesellen* formed their friendly

* All that can be said in favour of the theory that trade-unions existed in England before the eighteenth century may be found in Dr. Brentano's "Arbeitergilden der Gegenwart," pp. 82, 83.

societies, and not for the support of a contest with masters. Some of the rules of those brotherhoods were dictated by piety, and others, of a ceremonial kind, appear to have arisen from an innate love of ritualism. The shoemakers' union had a regulation that at all their lodging-houses the landlady must be called "mother," and her daughters must be respected as "sisters." This was enforced by a fine. The funds for assisting men out of work, and on their travels, were kept in a club chest, and under the seal of the brotherhood, at their regular place of meeting in each town; and the opening of this chest was always treated as a solemn affair, attended with certain formalities. In the course of time the meetings of the *Gesellen* had other objects beside the distribution of aids to members. They "denounced" both masters and men found guilty of transgressing trade rules. The brotherhood now kept in its chest a "black book," or register of denounced individuals. From the masters who had been denounced the brethren would not accept work; or if the denounced were bad *Gesellen*, the orthodox would not work with them. These denunciations were sometimes followed by such inflictions of punishment on the offenders as brought the brotherhoods into collision with the laws of the realm. But generally the *Gesellen* acted as subordinate to the *Zunft*, or trade-company, which included both masters and workmen. The nearest approach to the character of a modern trade-union that can be found in any coalitions formed before the eighteenth century is, perhaps, seen in the case of a workmen's union (*die Schmiedegesellen*) at Magdeburg, in 1600. This union was generally subordinate to the *Zunft* of the smiths at Magdeburg, but had a several jurisdiction over the working men and the small masters engaged in the trade in the villages and hamlets near that city. In a contest that took place respecting trade rules, the chapter of the cathedral admitted this right of the *Gesellen*, and paid to them, for some transgression, a fine of one hundred dollars. We might question whether even such a union as this of the Magdeburg workmen

fairly represented the modern English trade-union; for we see that these *Gesellen* were generally subordinate to the *Zunft*, and that their several jurisdiction over the trade in the villages was but an exceptional case.

THE FREEMASONS' LODGES.—We may notice here, briefly, the noblest of all the guilds of the Middle Ages —the brotherhoods of the Freemasons—without entering into the controversy connected with some parts of their history. Their traditions refer to the three periods—ancient, mediæval, and modern. The first are purely mythological; the mediæval are founded on facts, but to these many fables were added in the eighteenth century. To confine our attention to facts—the masons' brotherhoods arose, necessarily, from the circumstances in which the travelling builders of the Middle Ages found themselves placed. They were brought together from distant homes to be employed for a considerable time on such great works as our mediæval churches and cathedrals. Near the rising structure on which they were engaged it was necessary that they should provide for themselves a common shed or tabernacle. This was the original "masons' lodge." It was not less inevitable that they must, while thus assembled and dwelling together, make themselves subject to certain laws for the regulation of their labour and for their common welfare. That these rules should be partly ceremonial was in accordance with the spirit of the times, and the religious character of their original ceremonies is explained by the fact that many monks were found among the most expert of the mediæval masons, and by their superior education would naturally exercise a considerable influence over their lay brethren. When the great architectural works of that time had ceased, and the habits of the masons had become less nomadic, their "lodges" still remained as friendly societies or brotherhoods. Here were preserved their old maxims of mutual aid and general beneficence, which, according to tradition, were still expressed in symbols derived from architecture. Modern Freemasonry, including men of all classes, and retaining only

the symbols of the original lodges, arose in England, and may be dated from 1717, when the four old lodges remaining in London were united. Dr. James Anderson and Dr. Desaguliers, the naturalist, were active in promoting this union. It may be added that the persecution of Freemasons in several countries has arisen from a total ignorance of their true history and of the character of their institutions.*

II.

MODERN INDUSTRY.

ENOUGH has been said to show that it is by no means clear that the trade-unions of to-day should be regarded as copies of any mediæval institutions. If they were such, we might dismiss them without further notice; for artificial revivals of that kind do not flourish. The old guilds had their necessary basis in the circumstance of the Middle Ages. They have passed away, and can never be restored. The movements of the latter part of the eighteenth century, and of the opening of the present, have produced nothing less than an industrial revolution, and we are now living in the midst of its results. Among these results the trade-unions are included. We cannot regard them as arbitrary, or without a real foundation in the necessities of our times. Nothing can be more unreasonable than to imagine that men—even large bodies of men—can make or unmake or restore institutions as they please. The trade-unions did not arise simply from the pressure of poverty, nor from the efforts of any strenuous band of demagogues, but as parts of the one great movement in industry, commerce, and political life that took place about the opening of the century. At the very time when new ideas of freedom and of the equal rights of men were spreading among the people, great numbers found them-

* The oldest code of laws for a Freemasons' lodge is English, and may be dated about the middle of the fifteenth century. It is found in "The Early History of Freemasonry in England," containing documents preserved in the British Museum, and edited by Mr. Halliwell (London, 1840 and 1844). Some codes almost as old have been preserved in Germany.

selves in dependent and precarious circumstances. At the same time, the vast changes that were taking place in manufacturing industry led to the congregation of these working people in towns. The weavers of woollen cloth, for example, who had been widely distributed in the dales of the West Riding of Yorkshire, found their handloom industry gradually declining, and had to seek employment in factories; while in the cotton districts of Lancashire the old retail manufacturers were far more suddenly broken up by the introduction of machinery, and the rapid transition of wealth and power into the hands of the comparatively few who were able to make use of the new inventions. Crowds of working men gladly took part with capitalists in making the change; for good wages were paid to the more skilful, and even women now earned larger wages than had ever before been paid to unskilled hands. The workman who had sons and daughters able to work in the factories found in his family a help rather than a hindrance. These circumstances, of course, greatly encouraged early marriages.

But there was a losing as well as a winning side in the great industrial change that was so rapidly taking place. In hopeless competition with the gigantic new powers of production, the poorer small manufacturers struggled a while, but found their position untenable. Those who were rich enough to employ machinery soon made fortunes. Others, who persevered in attempting to maintain their old status, and continued the contest too long, went down and left their families to seek employment in the factories. For some years the handloom weavers went on, with a Quixotic ardour and determination, working away in stern competition with steam and cast-iron, found themselves beaten, made riots, and broke machinery. Among other plans for improving the circumstances of the working classes there arose then, either under the disguise of "friendly societies" or otherwise, our modern trade-unions. The Coalition Act of 1800—in opposition to the teaching of Adam Smith—was intended to suppress them. Though most of the old trade restrictions had virtually ceased to

exist before they were legally repealed, petitions in favour of their maintenance were poured into the Houses of Parliament from many classes of working people. The consequent debates in Parliament ended in the complete triumph of unrestricted competition. In 1809 the statute of Elizabeth was abolished, and as early as 1814 every vestige of old trade regulations had disappeared.

The movements we have thus briefly noticed in their outlines—the abolition of old restrictions on industry and trade, the rapid transition from retail to wholesale manufactures, made by the use of machinery on a grand scale, and the congregation of large masses of the dependent and precarious classes in the great centres of industry—have produced nothing less than a revolution in the industrial world; and the trade-unions, we contend, must be regarded as among the results of that movement.

The precarious nature of the union of capital and labour is the chief characteristic of modern society. In old times nothing like our vast accumulations of wealth existed, and nothing like the circumstances of our numerous working classes dependent on the fluctuations of industry and commerce. The vassalage of the Middle Ages held the peasantry in bonds far more degrading than those of poverty. They were bound down to the soil, and were subject to the will of the landlord; but he was also bound to them, and was obliged to support them when they could not support themselves. Their existence was, in several respects, more wretched and, in a moral point of view, always more degraded than that of our modern working classes; but *it was not so precarious.* According to the theory of a well-governed and prosperous society, the labourer's wages ought to be regular, and should be sufficient to pay for his food, clothing, and lodging, leaving a store for the savings-bank, to provide for accident, illness, and old age. If his wages fail to do this, there must be, some day, a burden cast upon society—one more pauper added to the army already so large. We are only stating facts, and by no

means imply an argument that the employer should or can be bound to pay wages sufficient to prevent pauperism. A great part of our pauperism must, no doubt, be ascribed to disease, age, and idleness; to our increasing expenditure on dress, and to vice, especially intemperance. But after making a fair deduction for these causes, there will still remain a large amount of destitution that may be justly ascribed to an insufficient average of wages and to precarious employment. The results of all these causes working together are so serious, that we should be ready to encourage every measure that may tend in any degree to lessen the number of our social wrecks.

This motive, we believe, led to the institution of the trade-unions. We do not here defend all their measures. They may be sometimes ill adapted to attain their ends. But it may be safely stated that the main object of all the best and most intelligent members of English trade-unions is, not to obtain the highest possible rate of wages, but to render the working man's employment and his means of subsistence *less precarious*. Our theory, then, of the origin of the English trade-unions is simply this—that just as the "lodges" of the masons arose from the circumstances of those workmen in the Middle Ages, so the modern trade-unions have arisen from the circumstances of working men in our times. The old masons may have had some traditions going back beyond the Middle Ages, but this cannot be proved. If the English workmen of the eighteenth century had any traditions they have left no account of them. It is no more necessary to trace back their unions to the mediæval guilds than it is to believe the story of the masons who derive the institution of their lodges from the building of Solomon's Temple.

III.

TRADE-UNIONS.

THE English trade-unions began to be formed not long before the opening of the present century. Of

course, the old regulations of the companies did not disappear suddenly. They lingered in the memory of the people, but were virtually defunct some time before they received the legislative *coup de grâce* of 1814. Here and there, distressed artisans, who suffered from the industrial transition then going on, or from other causes, formed coalitions to support some of the old regulations. Such coalitions might be described as fragments of the old decayed companies. But, if we are to maintain a clear distinction between an organisation partly co-operative, and including both masters and workmen—the mediæval trade company—and an exclusive coalition of working men, for the interests of their own class, we must maintain that "the trade-union" was instituted not long before 1800. From that time until 1824, when the Coalition Act was repealed, it was regarded as an illegal institution. About two years later, there was founded in Manchester "*a friendly union of mechanics.*" Out of that society has grown the present "*Amalgamated Society of Engineers,*" including now about 35,000 members. Its annual income amounts to £85,000, and its accumulated fund varies from £100,000 to £140,000. The following table will give some general notion of the objects for which the income is mostly expended:—

EXPENDITURE OF THE SOCIETY IN THE EIGHTEEN YEARS 1851-68.

	£	s.	d.
Payments to members out of work ...	425,844	0	0
Aids in sickness	161,388	0	0
For old age	45,272	0	0
For accidents.....	16,000	0	0
For burials.....	50,250	0	0
From extra fund for cases of special emergency.....	12,526	0	0
Aids to other trades	10,375	0	0
TOTAL.....	721,655	0	0

*

Among the items of aids given to other trades we find

* These and other statistics are taken from "Die Arbeitergilden der Gegenwart," by Dr. Brentano, to whom they were supplied by Mr. William Allan, Secretary to "the Amalgamated Society of Engineers."

£3,100 for the London builders in their strike (1859-60); £1,120 for the Preston strike (1854), and £1,000 for the file-smiths' lock-out at Sheffield (1866). The £3,000 for the Lancashire Cotton Famine (1862-64) was distributed, as we understand, only among members of the society. £40,000 was expended in the strike of 1852. Deducting this sum, and some other payments to support strikes, we find expended, to assist men left out of work through normal circumstances of trade, during the eighteen years 1851-68 not less than £347,260. This aid must have prevented the breaking-up and ruin of many families, and must, therefore, have afforded a great relief to our poor-rates. The funds for supplying such an expenditure as the above-stated are raised by the regular weekly subscriptions of members, and by extraordinary levies for special purposes. A writer in the *Edinburgh Review* (No. 258) has argued that the income of the society is inadequate to meet its liabilities; and that, as a benefit society, "its financial basis is utterly unsound." His argument proceeds on the assumption that the trade-union, as a benefit society, must be tried by the fixed theory of an ordinary insurance office. But the circumstances of the two institutions are widely different. The variations in both contribution and expenditure, and the facilities for making extraordinary levies in the trade-union, are such as could never exist in an insurance office.

It must be obvious that one of the chief objects of such a society as that of "the Amalgamated Engineers" should be to keep its members in regular employment. It should discourage all needless coalitions for cessation of labour, and should teach its members that moderate, *permanent* wages are more to be sought than higher wages subject to great fluctuations. On the whole, we believe, the policy of the society has been in accordance with these principles. It has neither sought to screw wages up to their highest possible level, nor to get up strikes for trivial causes. Two of the more remarkable contests in which it has been involved may be briefly noticed. In 1846 some of its members were prosecuted

for conspiring to get up a strike, and for some "thousands" of other misdemeanours. The indictment was fifty-seven yards long, or twice the length of the celebrated monster indictment against Daniel O'Connell. A jury at Liverpool found the leaders of the movement guilty; but the Court of Queen's Bench soon afterwards acquitted them. This process cost the society £1,800, which was less than six shillings per count. Such experience made the engineers aware of their need of more strength, or a wider union, and in 1851 they formed the "amalgamation" with other societies, which placed them on their present footing. Then followed the strike of 1852, and a controversy that we may here pass over. It is only fair to all parties, however, to state that its true history is not to be found in the columns of the *Times* for that year. It began with the movement of the workmen employed by the firm of Hibbert and Platt, at Oldham. One of the demands of the Oldham workmen was for excluding from the factory all the men who had not served an apprenticeship to their trade. This fact was made great use of against "the amalgamated engineers." But their own statement is that "they never supported that demand:" that they first endeavoured to prevent the lock-out, and afterwards to shorten the contest; but that employers demanded nothing less than a recantation of the principles of trade-unions. The later history of the society would require, to do it justice, some notice of its branches in Australia, Canada, the United States, and other parts of the world. During the period 1851-68 inclusive, the entire sum disbursed in grants for men out of work through strikes and for other causes, for the relief of the old, the sick, and the unemployed, and for burials and other emergencies, amounted to £721,655. For several successive years the aids afforded to men out of work have amounted to 10s. per week to each man for his first fourteen weeks out of work, 7s. for the next ten weeks, and 6s. for the next ten weeks. These facts imply an important relief to our poor-rates. It has been erroneously asserted that the greater part of all the savings of the unionists goes to

support "strikes." So far is this from being true, that for some considerable time after 1852, only about ten per cent. of the society's grants to members out of work was expended in supporting strikes.*

According to reports published in 1867 there existed at that time 2,000 unions in Great Britain, and their members included upwards of ten per cent. of all skilled labourers. For certain districts this per-centage must be greatly increased; for the unions are very unequally distributed. In some parts of England unionists amount to eighty per cent. of all skilled workmen. The respective rules of the several societies have a close likeness to each other. Each union has a central executive committee, of which the secretary is generally the most active and responsible member. The delegates from branches in several parts of the country confer with the central committee on important affairs, but details are mostly entrusted to the committee itself. The funds are raised by regular contributions, fines, and extraordinary levies. Apart from these levies, and judged merely by the *formulæ* of insurance companies, the unions would not be found sound in their financial basis. The "Carpenters' Union," for example, promises to each of its members such sums as £5 for loss of tools, 10s. a week when out of work, 12s. a week during illness, £6 to assist an emigrant, a pension of 8s. a week after twenty-five years' membership, a payment of burial fees, and (in cases of extraordinary distress) donations of £50 or even £100. To provide for this outlay the ordinary payments of members are only such as these:—entrance money, 7s. 6d.; and weekly subscription, 1s.; but fines add considerably to these resources, and, as we have said, special cases are provided for by extra levies. The obedience of the members to the rules of the union has been sometimes enforced with a severity almost equal to that of some of the secret societies of the Middle Ages. The first penalty is a fine. If this is not paid, the

* This statement is based on the statistics given by the secretary, Mr. William Allan, to Dr. Brentano.

member is expelled from the union, and if his punishment had always stopped here, it would have been well.

The stronger measures which have been enforced, unfortunately, by some unions are really the weak points in their history, for they have brought them into collision with the laws that guard the liberties of Englishmen. "Rattening," which consists in seizing or destroying the tools of an offender who has refused to pay his fines, was known, as we have said, in the old times of the trade companies, but was never then followed by such atrocities as have been associated with the word since the occurrences at Sheffield in 1860 and afterwards. These we should be glad to pass over as local and exceptional, but there is one grave fact that must be recorded, as a warning against a fanatical pursuit of class interests. After the murder of Linley, followed by that of Mrs. O'Rourke, and the attack on Rotherham's family, one of the chief perpetrators of these crimes received the sympathy and the support of many Sheffield unionists! No graver fact than that can be found in the modern social history of the English people. It is just to add that *the trade-unions in other towns came forward to record an indignant protest against such atrocities.* Too much weight must not be given to such exceptional cases when we attempt to give a fair estimate of the unions and of their modes of operation, both good and bad. For the latter category, it is a relief to find that the work has already been done.

The *Edinburgh Review* (No. 258), in an article on "Trade Unions," gives a summary of charges against them, founded on Reports presented to Parliament, and published in 1867. For the sake of brevity we do not, throughout, quote the exact words of the reviewer:—

"'The final end' of the trade-unions is 'to raise to the highest practical point the rate of wages,' and it is their maxim, that no work should be done heartily; to 'evade' work and to 'loiter' at work are rules; 'he who is most skilful in these arts is the greatest benefactor to his order;' 'the sluggard, according to the standard of the unions, must be the model workman;' the unionists have plans for making work that is useless to their employers; they, in some

cases, oppose the use of machinery, and compel the public to make use of inferior articles—for example, hand-made bricks; the Leeds bricklayers have a rule against one man carrying more at a time than 'the ridiculously small number of eight bricks;' walking slowly to work, so as to consume as much as possible of the master's time, has been acted on as a rule; the trade unions aim at 'making as much work as possible,' 'by rendering the labour of each less efficient;' the union is, in some cases, so 'omnipotent over masters,' that 'the industrial machine is turned topsy-turvy;' in cases of outrage, employers are afraid to prosecute, and a witness who appears in court against a trade-union 'must be helped to emigrate.'"

All these charges, the reviewer adds, do not describe "the most flagrant abuses of power on the part of the trade societies." "The case of Sheffield is, indeed," he says, "alleged by the advocates of the unions to be exceptional," and he trusts, "that in its darkest and most hideous features it may prove to be so; but it is certain," he continues, "that the same principles which are so rampant in that unhappily notorious town are represented, though it may be in a less matured and obtrusive shape, in the codes of almost all the societies established for a like purpose."

We trust it is not necessary to come to this conclusion. Why must it not be granted at once that the case of Sheffield was "exceptional?" If the case must be mentioned, why not state it in all its relations with the circumstances belonging to the peculiar and localised trades of Sheffield; the extreme want of moral education in the lower working classes, and all the wretched conditions of labour disclosed by Dr. Hall in his report?* Facts stated in an *abstract* form, or out of their natural relations, and without their just limitations, can serve no good purpose. If we could fully accept the reviewer's generalisation we should be depressed by his admission, that the trade-union, though maintained by such abuse of power as he describes, after all, remains so powerful that, even where found in a minority, it can dictate measures to a majority formed of employers and non-unionist workmen! For our hope of the future is

* *Social Science Transactions* (1865), pp. 382, 465.

founded on a belief, that the power to maintain a wide, firm, and permanent union belongs to principles that are, on the whole, fair and reasonable; and that the want of such power is the fatal defect that must frustrate the plans of anti-social agitators.

The main object of unionists is to restrict their own competition in labour to certain limits assumed to be necessary for their social welfare. For this general purpose the chief rules of action commonly agreed on are as follows:—(1) to insist on apprenticeship; (2) to contend for the employment of workmen and apprentices in a certain ratio of their respective numbers; (3) to oppose frequent, or "systematic," working beyond the regular hours agreed on; and (4) to prevent the employment of "piece-masters." This "piece-master" is a foreman, whose extra gains must sometimes depend on extra pressure put upon the labour of those who work under his superintendence.

The legitimate means employed by the trade-union for obtaining its demands are, conference with employers, councils of arbitration, and, lastly, "strikes." The last, though too often rashly, and sometimes unfairly employed, are legal, so far as they imply nothing more than a coalition to cease working after giving due notice. It is a necessary last resort in a controversy with employers; for "there is," says Adam Smith, "a tacit but constant and uniform combination of masters not to raise the wages of labour above their actual rate." But though fair in ordinary cases, the strike is nevertheless a lamentable expedient as the only means of bringing masters and workmen to a common understanding. The losses incurred on both sides have been often deplorable. A quarter of a million pounds sterling was lost in wages in 1829-30, and the strikes at Preston, in 1836 and 1854, cost nearly half a million. Though it may be asserted, that these, and other great efforts of the same kind, have not been made in vain, yet it must be allowed that they are very costly, and the next desirable movement in connection with trade-unions is to find some reasonable substitute for the "strike." A

legal basis for such a movement is already supplied in the "Equitable Councils of Conciliation Act" (1867), and we trust that the moderation and mutual forbearance required to carry its provisions into operation may not be found wanting in either masters or workmen.

These historical outlines of the formation and operation of the trade-unions must not be concluded without some notice of an apparently formidable argument against their main principle—the restriction of competition *in labour*. It is granted that the trade-union is legal, but it is sometimes asserted or implied *that its main principle is opposed to the established policy of free trade*. To that policy the landholders of Great Britain have submitted. The most stubborn protective coalitions have failed to resist its progress. Granting that workmen have their grievances, shall they be allowed, it is asked, to frustrate the law of free trade? After prolonged controversy, inside and out of Parliament, free buying and selling of commodities subject to no control but that of self-interest has become the law of the land. Shall trade unions be allowed to make one great exception in the article of labour? Shall the capitalist, who must sell his goods in an open market, and at a price reduced by unrestricted competition, be compelled to buy labour in a close protected market?

Two distinct replies have been given to the objections implied in the above queries:—the first is the assertion that the theory of free trade does not embrace that of the employment and the disposal of labour; the second maintains that free trade is not contravened by the trade-union. If those who live by labour employ peaceful means for the purpose of bettering their condition, any course of action on their part which shortens the hours of labour, or is intended to render the occupation of the labourer more continuous, and, therefore, his wages more steady, stands economically on exactly the same footing as the policy of a dealer who withholds his goods from the market when prices are unremunerative. All economists agree that the function of the corn-dealer is beneficial to society, because he equalises

prices. If the unionist declines to labour under certain circumstances, he is simply withholding from the market something which, in his opinion, is temporarily undervalued. If he exacts, by means of an organisation, the fullest possible price for the work he sells, he is doing that by his labour which every great landowner, in a growing town, does by his land. The machinery of a trade-union is capable of a complete defence on purely economical grounds, provided that it puts no restraint or compulsion on those who do not care to adopt its provisions.

When viewed apart from their operations as benefit societies, the trade-unions are only means of continuing a warfare between the two classes representing capital and labour. For the problem—"how to make such a use of our freedom as to advance to better relations between capital and labour"—they offer no solution. The problem, more distinctly stated, is this:—To develop a system for a larger distribution of wealth, as the reward of well-organised labour—the said plan being always subject to the condition, that it shall be consistent with the existing institutions of society, as founded on personal freedom and the individual right of holding property. In our inquiry for a solution, we may now notice the several schemes proposed under the name of "Co-operation."

IV.

CO-OPERATION.

THIS is a very extensive word, but the plans to which it is commonly applied may be divided into the three classes:—people's banks, or associations for obtaining credit; "co-operative stores," for an economical supply of the necessaries of life; and "productive co-operative societies." The stores have already been largely tried, and may be regarded as established. The last-named societies have far greater objects in view, and must, for their success, demand a far stronger organisa-

tion. In their highest form they would require the union of capital and labour in every member of the productive co-operative society. To reduce such a theory to practice must require both moral and mental training. It is a grand result to be aimed at, and can never be realised by small means, nor even by large means without the exercise of high moral principles. For three elements are required besides capital — honest work, wise government, and a firm union of all the members of the body with the head. The form may be monarchical or republican, but in each case those three elements must be essential to the welfare of the corporation. The design is great, and the difficulties to be encountered before it can be realised are great. No such difficulties can be found in the scheme of co-operation for procuring cheaply the necessaries of life.

CO-OPERATIVE STORES.—These institutions, for providing their members with the ordinary articles of consumption, are now so well understood that we may notice them here briefly. Mr. BABBAGE, as long ago as in 1832, suggested the advantages which such stores would afford to working men. The "*Pioneers'*" plan began in Rochdale (1843) with an unsuccessful attempt of some flannel weavers to obtain an advanced rate of wages. Failing to get more money, they resolved to make the best use of what they could earn. Nothing could be more lowly than their beginning. Forty members ventured to rent, at £10 a year, "th' owd weavers' shop" in "Toad Lane," where they set forth, at first, a rather beggarly show of salt butter and oatmeal, for the amusement of "the doffers," or street-boys of Rochdale. After fourteen years' perseverance, they were doing a business, in cash, to the amount of £76,000 per annum. They have added to their original stores several other departments of trade, and have now a good library of 10,000 volumes. Their success has, we believe, been moral as well as economical. The habits of saving encouraged by their scheme have rescued many families from poverty. Temperance, economy, and mutual trust

have been promoted. Their example has been followed by more than 500 co-operative stores in England and Wales, which now possess a collected capital of more than £1,000,000, and include about 180,000 members. For the common benefit of all these unions, the "North of England Co-operative Wholesale Company" was established in 1864. Similar institutions have arisen in Germany, Switzerland, Austria, and Russia. We may regard this part of the general scheme of co-operation in economy and production as now established. The success of the "Scottish Wholesale Society" has been remarkable.

PEOPLE'S BANKS.—The persevering efforts of Schulze to develop in several parts of Germany the advantages of association beyond such objects as were at first contemplated by the "Rochdale Pioneers," have proved beneficial rather to the lower middle classes than to the working classes. "Let us have unrestricted competition in buying and selling commodities," said Schulze, "and with the aid of people's banks to help the poor to obtain credit and extend their industry, the whole problem of the best possible national economy will be solved." This was his doctrine. To exhibit it in practice, he assisted greatly in founding, in 1850 and afterwards, several people's banks, or mutual loan societies. Their success was considerable. In 1869 there were in Germany 735 such associations, including 304,772 members, and having an accumulated fund of more than £2,000,000 sterling. They have, without doubt, been beneficial to the small tradesmen and retail manufacturers, who form the lower middle class; but for those who are quite destitute of capital they have done little or nothing. The opponents of Schulze do not call in question the good effect of his measures, so far as they extend, but rather the exclusive doctrine implied in his controversial writings, that such measures are final and *sufficient*. His theory implies, they say, that the poverty of the working-classes is mainly the result of their own improvidence. His societies for the aid of small

capitalists, it is said, can afford no very important or permanent relief, while the main tendency of our times is to reduce this class to the level of the working classes. Such opponents contend that the general tendency of our times is towards levelling downwards, and that the movement required should be rather in favour of levelling upwards. They argue that the hope of *making progress* is, for the working-classes, of higher importance than even earning good wages, and that it is the want of such a hope that, more than poverty itself, leads to a loss of self-respect, and to anti-social vices. The chief of these opponents was Ferdinand Lassalle, who founded, in 1863, "the Universal German Working Men's Union." His own plans were both political and industrial. He would give first universal suffrage to the people to enable the working-classes to carry his scheme into effect; then he would institute productive co-operative societies which "should be supported and warranted by the State." The formidable objections to such a plan are obvious. The State guarantee, if it could be granted, must deprive the institution of the essential conditions of success—self-help and responsibility—and, moreover, the State would be unable to provide the enormous capital required by such undertakings. The career of Lassalle was suddenly interrupted by his death, at an early age, in 1864; but the results of his agitation remain in Germany. There is a growing conviction there among the working-classes that the alleviation of their condition requires measures larger and more energetic than any that were advocated by Schulze. They look forward to great plans of productive co-operation, but hardly understand all the difficulties of the long road that must lead to the success of such undertakings. Not a few of the social democrats of Germany deplored the war of 1870, chiefly because they had sympathy with French communism.

PRODUCTIVE CO-OPERATION.—One of the earliest experiments of this kind was made by Johann Heinrich von Thünen on his estate at Tellow in Mecklenburg, in 1848. He was a member of an old aristocratic

family, and was distinguished both for his noble personal characteristics and for his plans for the elevation of the lower classes. In his native state the common rule prevailed of paying to the agricultural labourer no more than the traditional wages judged necessary for his bare maintenance. Von Thünen argued that this tended to make the peasant work with the temper of a serf, indifferent to the general welfare of the estate. "Better," said he, "to pay higher wages for superior labour; to make the labourer's earnings rise in something like the ratio of interest on capital, and so to unite the interests of the employer and the employed." Von Thünen tried his own plan on his own estate before he recommended it to other landlords. The results were satisfactory in a moral as well as an economical point of view, and the Tellow estate—now under the management of the son, Edo Heinrich von Thünen—still remains, it is said, a model of successful combination of interests. The experiment, however, though conducted with great prudence, has been repeated in very few instances by German agriculturists. We have read of one Mecklenburg farmer who pays to each working man renting a cottage one per cent. of the net profit of capital; and some plan of the same kind has been carried out, since 1853, on the estates held by the Neumann family in East Prussia. In both cases the additional payment to the labourer is regarded as "a bonus." Far more complete plans of productive co-operation have been tried in France, but only in manufactures.

One of the first was instituted by Joseph Buchez. He published his scheme in the journal *L'Européen* (in 1831), and three years later founded in Paris a productive co-operative society for the manufacture of cheap jewellery. It was existing in 1867, when it had four establishments in Paris, with a joint capital of something less than £5,000, and paid its members a dividend of twenty per cent. The enterprise of the house-painter, Leclaire, of Paris, is well known. After several disputes with his workmen, whom he used to change very frequently, he

resolved to abandon his plan of "buying his labour in the cheapest market," and to raise the workmen's wages on a scale proportional to his own profits. At the end of the year he was to take five per cent. interest on capital, and claim, as manager of the business, a salary of £250. The remainder of the profits were to be shared among his workmen in the ratio of their earnings. The result was highly satisfactory; and the last we heard of the enterprise was its continued success, in 1869. Another Parisian productive co-operation was that of the pianoforte manufacturers in the Rue Gatiol, which, after many difficulties, established itself in 1849. We know less of its later fortunes than of those attending another society in Paris—"the co-operative spectacle-makers." They provide their own capital, maintain a good understanding with each other, and were doing lately a business of upwards of £25,000 per annum. Mr. Thurlow, in his book on "Trade-Unions Abroad," speaks of these co-operative "lunettiers" as having "succeeded well in the application of a dangerous principle." Otherwise we should have thought that a fair and persevering working out of "a dangerous principle" could have only one result—in an utter failure.

The most remarkable of productive co-operative experiments in England is that made, in 1865, by Messrs. Henry Briggs, Son, and Co. in their collieries at Whitwood and Methley, near Normanton. After enduring several tedious strikes, they turned their collieries into a joint-stock company. Reserving for themselves two-thirds of the stock, they offered the remainder for sale in £10 shares, and invited their own workmen to become shareholders. The original owners agreed that, when their net profits on capital should exceed ten per cent., half of the excess should be distributed among the workmen, in the ratio of their earnings. In one year only before 1865 had the firm made a clear profit of ten per cent., and the sum paid in wages had amounted to seventy per cent. of the total expenditure in getting coal. About fifteen per cent. of this cost had been expended on wood, iron, oil, and other materials,

which the men had, too commonly, used without any regard to economy. Such was the state of affairs under the old régime. In 1868, at the end of three years' trial of the new plan, the total number of shares was 9,767, of which 6,393 remained in the hands of Messrs. Briggs and Co. (the old firm); 192 shares were held by 148 workmen, and 192 by twenty-one persons engaged in the collieries. The remaining 2,990 shares were in the hands of other subscribers. The results of this change are described as highly satisfactory. The value of a share had risen in 1868 to £14 10s. The annual profit for 1866 was fourteen per cent., for the next year sixteen per cent., and for the third year seventeen per cent. The whole sum distributed among the workmen was, for 1865—66, £1,800; for 1866—67, £2,700; and for 1867—68, £3,150. The statement is almost too good to be believed that, at the distribution of the first "bonus" to the workmen (in 1866) only three of the recipients celebrated the occasion by drinking too freely. With this slight exception, the moral results, it is said, have been even more satisfactory than the economical. The example of Messrs. Briggs, Son, and Co., has been followed by other firms, in England and abroad. Among these may be mentioned, Messrs. Greening and Co., wire-fence manufacturers, and Herr Borchert, brassfounder, at Berlin. One great merit of this plan is, that it identifies the self-interest of the working man with honest and zealous labour, economy in the use of materials, and a general care for the interests of his employers. This annual distribution of a bonus is only one of the forms of co-operation, which admits of all degrees of application, suitable to all varieties of circumstances; but, apart from other advantages, we think the plan of dividing a "bonus" must be highly valued for its educational uses. It avoids a sudden and violent transition from the old system, with its great advantage of unity of management, into all the difficulties that must attend every extreme new plan demanding a republican form of administration. The aid granted by the capitalist towards co-operation, on this plan of

dividing a bonus, may serve to institute a training-school for more advanced co-operative productive societies, based mainly on the savings of working men. When these have proved themselves stable and prosperous, they will not be left without the aid of capital supplied from other sources. But such success will depend more on moral power than on money. The old law will for ever remain in force, "a house divided against itself cannot stand." The supporters of co-operative productive plans must be very slow and cautious in choosing the men in whom they are to confide; but such men must be found. A firm mutual trust between all who work and all who have the control of affairs is indispensable for every attempt to unite more closely the interests of capital and labour. Such an endeavour gives interest to the society recently formed at Newcastle-upon-Tyne, for carrying on the "Ouseburn Engine Works." A good beginning has been made by purchasing, at a very low price, an excellent plant; four hundred men are now employed, and the orders for a year amount to £100,000. Until such plans are attempted, the members of trade-unions must know that their coalitions, however lawful and useful for certain purposes, are but inferior forms of industrial association, and cannot, with justice, claim the rewards that would belong to higher or more complete forms of organisation. The strongest union must prevail in the end. That is the law of the world's progress. And a reconciliation of this law with our trust in a moral government of the world is found in the belief that the strongest union of men must be founded on their highest moral development. The present system of relations between capital and labour is a union, though by no means final and satisfactory, and is *strong* chiefly in one element—the freedom and energy of its executive government. The one man possessing capital and a good head for its management will always beat a wrangling committee of so-called managers, though they may have the control of an equal capital. For this power of unity, as represented by the one man at the head of a firm, the supporters of a productive co-operative scheme

will have to find a sufficient substitute. Until this is done, they must be content to see capital, enterprise, and good management, though all centred in an individual, taking the rewards that naturally belong to them. For after all that is said of the worth of labour, it remains true that good government is still more valuable. If one man plans, provides for, and manages the undertaking by which a thousand men live, he must be paid for his care. Before we can fairly take away his pay we must do his work. The organiser and controller of work is the greatest of workmen. His help is virtually present in every workshop of the firm, and converts into a prosperous organisation the raw materials that, if left to themselves, would lapse into nothing better than a barren chaos. Until our industrial associations take a far wider scope than that of trade-unions or co-operative stores; until they include, with accumulated capital, the initiation of commercial and industrial enterprise, and the management of both capital and labour, a large share of power and freedom must be left in the hands of capitalists and managers. To win such power and freedom, and consequently wealth, for themselves, operatives must accumulate, speculate, plan, and maintain order for themselves as well as work. The way is long and hard; but it is the only road of which we have any sure knowledge. It is true, indeed, that men have dreamed of shorter and easier ways, and have published their dreams in the form of communistic theories. These may be briefly noticed, not as being held by English workmen, but because the formidable arguments that may be urged against them have sometimes been misdirected against reasonable plans of co-operation.

There is a negative theory of communism, and there is a positive theory. The former may be very easily described. It consists simply in a proposal to destroy the whole basis of existing society. After that—*how* we cannot say—positive communism is to come into existence. Personal freedom, and its assertion in the right of holding property, are to vanish from the earth. "*All property is robbery*" is the first axiom of one of the

theories. On that basis are to be established certain new institutions, which must require for their support the constant action of principles which hitherto have never been known to be predominant in human nature. Society is founded on morality—not, necessarily, on the highest moral laws, but on such as are most commonly understood. From the first instinct of human nature—self-love—arises the desire of acquisition. No sooner has this asserted itself, than it finds itself limited and contradicted. The individual who would grasp all, and ignore the existence of all but himself, finds that he is confronted by other individuals ruled by the same instinct. Hence would arise *bellum omnium contra omnes* —the war of every one against all, and of all against every one—but men are rational, at least so far as to understand one of the simplest rules of mechanics, that equal opposite forces destroy each other. Common sense determines that laws, or limits, are required as means of preventing mutual destruction, and of securing for self-interest a fair field for its development. On these simple principles all society hitherto has been founded. Law is the substitute for warfare. There are, certainly, higher principles or powers in human nature. In mysterious union with the egotism that would make each man all the world for himself there is found a sympathy that, if perfect, would lead him to recognise himself in every fellow-creature; there is found a benevolent will that would embrace the many as brethren; and sometimes, but rarely, there appears that sublimest of virtues, a resignation of self-love for the good of the whole. But these higher powers have never been found constant and general in their action, so as to supply the whole moving power of society. They serve to alleviate the bitterness of the struggle for existence; they find their right expression in many noble charities; or, too often, waste themselves in words. The error of communistic theories is that they seek to gain, by a change of formal institutions, results that, if ever attainable, can be reached only by a long and severe education of human nature. When these results are

attained, when the three higher principles—sympathy, benevolence, and self-sacrifice—have gained a sure and final predominance over the four lower—egotism, acquisition, emulation, and legal strife — *then* communistic theories, requiring the industrious to work for the idle, and the able to sacrifice themselves for the incapable, may be found possible; but at that time we shall want neither these nor any other theories; we shall be simply translated into Paradise.

These remarks on the extreme theories of communism may serve at least to distinguish them clearly from all reasonable plans of co-operation. Indeed, the one law of respect for personal freedom would be alone sufficient to make a clear distinction. For, granting even that in some far future time co-operative societies shall be so successful that they shall make all individual competition hopeless, even then, if faithful to their principle of *voluntary union* for a common benefit, they will not seek to destroy personal liberty. When the competition of society against society has led to a "union of unions" that shall occupy the length and breadth of the land, still, if one odd Robinson Crusoe shall prefer to stand outside, and to compete, single-handed, against their whole power, that hero shall be allowed to stand *free* and to take his own course.

V.

CONCLUSION.

TRADE-UNIONS are facts that have established themselves. As friendly societies they have been very useful. But, while they remain as we now find them, and are limited by their present aims and modes of operation, they can afford no satisfactory solution to the problem of finding better relations between the several classes of society—especially between the employers and the employed. Work must be based on funds, and must be associated with a controlling power. That power is now mostly represented by capital held by an individual or by a

firm. The workman may envy the capitalist, and may dislike the exercise of his power, but he must remember that it is held by the law that enables a poor man to call the watch he carries in his pocket his own. The English working man is no communist. He wishes to have property, and to assert his liberty. These two principles—the right of holding several property, and liberty in making use of it—are among the chief causes that have led to our present circumstances. Labour is not contented, but complains that it does not obtain a satisfactory share of the profits arising from combined capital and work. Then we must make the best use we can of present relations, and seek for a better union of work with money; but if we are to avoid misery for all classes without good result for any, we must seek this improvement in a way consistent with the liberties of Englishmen and the maintenance of social order. We see, then, nothing better for the present times than to give full scope and encouragement to all honest plans of co-operation in people's banks, common stores, and productive associations. The last have the recommendation of admitting different degrees of industrial partnership, and such as may be suited to various circumstances and to several stages of social education. Plans more or less co-operative may range from that of von Thünen, for dividing a bonus, to the more complete industrial partnership, in which both capital and labour would be represented in every member of the association. But to this last success the way is long, and the difficulties to be encountered on the way are serious. Can we advance fast enough to meet the pressing necessities of our times? We can hardly answer that question, but we have faith that Englishmen can exercise the patience and the mutual forbearance required for grappling with social difficulties that in a great measure must be regarded as the inevitable results of the progress of society, and especially of a rapid increase of population in England. This is the grave fact that lies at the root of a great part of the bitter emulations of modern society. We have now to meet the wants of a population that has doubled

itself during the last fifty years, and, at the same rate of increase, will amount, at the close of another century, to eighty millions.

PAUPERISM.—The pauper population of London alone, in winter, amounts to 170,000, and this in spite of the fact that here almost £4,000,000 sterling are annually distributed by charities.* In presence of the constantly-acting forces that produce our growth of pauperism, all our special and irregular measures for its relief are comparatively futile. The forces or circumstances that are daily and hourly reducing men to the state of pauperism are acting constantly, and against them all our charities are like the sand-dykes built by children to hold back the tide of the ocean. In inevitable contact with our masses of poverty, the wealthy are compelled to feel themselves comparatively poor, through the force of sympathy. One old writer predicted, long ago, that, "in the latter days the thoughts of mankind would be all absorbed in the care of winning the necessaries of life." Something like a fulfilment of this prophecy appears in our current social literature. The Duke of Argyll, in his own wide domain, is haunted by thoughts of the pressure of competition that drives the Sheffield operative to "rattening." Mr. Hovell Thurlow (in his book on "Trade-Unions Abroad") points to the fertile island of Java as a warning example of a population that has *trebled* itself in the space of about fifty years, and has outgrown the means of subsistence. Mr. Carlyle, "out of his desert" at Chelsea, calls loudly, but in vain, for "captains of industry" to arise and lead forth colonies into lands where there is room for them to work and live as men. Mr. Kingsley leaves both theology and poetry, and lectures the labouring classes on economy in diet. Professor Fawcett follows Mr. Thurlow in urging on our working men the

* Some readers may imagine there is a misprint here. "*Five* millions," they will say; but we regret to state that, though that gross sum is collected for charitable uses, about one-fifth of it must be deducted for expenses of distribution.

duty of *celibacy;* implies in his reasonings the necessity of adopting "severe treatment" even for paupers whose destitution has been caused by inevitable misfortune, and can hardly find words to express his abhorrence of the man who, in precarious circumstances, "incurs the responsibility of causing children to be born." * Besides an immediate adoption of a practical and severe Malthusian policy, and the entire abolition of out-of-doors relief to paupers, the Professor recommends hardly any other alleviation of social burdens. Our condition must be far from satisfactory when thoughtful men can propose only these extreme measures.

We have described our charities as helpless to prevent the growth of pauperism; but we would not undervalue their efforts for its alleviation. If, after all their efforts, the condition of the poor remains as we find it, what would it have been without such exertions of benevolence? Modern industrial competition is a battle-field. If, with all our ambulances and hospitals, the sufferings of the wounded and the numbers of the slain are still so great, what must they have been without such interpositions of Christian kindness?

Every year adds to our population two hundred thousand new competitors for the means of subsistence. How, by all our political or social expedients, can these means be made to increase, so as to keep pace with such a growth of population? The question might be lightly dismissed, if we could accept the statements of certain theoretic writers who, in some way that we have no clear account of, have refuted Ricardo and Malthus! Of all these theorists the most remarkable is Mr. Carey, an American writer on national economy, whose arguments have had considerable influence in Europe. We may notice them here, for if they are true they will dispel all uneasiness about trade-unions, or any other expressions of popular discontent.

There is a "harmony" says Mr. Carey, founded in

* "Pauperism, its Causes and Remedies," by Henry Fawcett, M.A., pp. 46 and 84.

Nature, between the interests of all classes of society; and there is another "harmony" between the growth of population and the increase of the means of subsistence. If true, this is cheerful doctrine. But Ricardo has taught us that the increasing demands of a growing population on the produce of the soil must in the long run be met at an increasing cost of production. The same pressure on the means of subsistence that drives us to the cultivation of inferior soils must enhance the value of better land, and must yield an increasing profit to landowners at the cost of all other classes of society. Hence there is *not* a harmony of interests existing between landowners and the consumers of produce. Malthus, long ago, disposed of the second of the "harmonies" of Mr. Carey. Putting aside the English economist's mathematical formula, his doctrine asserts generally, that the increase of produce and capital in the long run cannot be made to keep pace with the unchecked natural growth of population. The application of these principles is, doubtless, greatly modified by circumstances. The two doctrines have never been refuted; but they by no means always *appear* to be true, and for some time to come they may have hardly any application to the circumstances of some parts of North America. A dense population may have, for a time, some great advantages, and on these Mr. Carey insists with great energy. The faculties of men are quickened; means of communication between producers and consumers are multiplied and made rapid; the division of labour leads to great results; and, in a word, good culture and active commerce modify the working of the laws stated by Ricardo and Malthus, and postpone the results to which that operation tends. *Free-trade*, especially in corn, also postpones those results. But the American economist is not content with describing these moderating forces, he proceeds to refute the laws above noticed. There is no truth in them, he declares. And, so confident is he of the good working power of his own theory, that he would not even call in the aid of *free trade* to make it plausible. On the contrary, he would

draw the cordon of a prohibitive tariff around an insulated State, and there would venture to reduce his theory to practice.* "The inferior soil has been first cultivated; now we proceed to cultivate the superior." That may be true of some parts of North America, but it sounds strangely in England. "The greater the number of the people," says Mr. Carey, "the greater the amount of prosperity and happiness." The greater the number of *whom?* we ask. If all are fed, clothed, lodged, educated, and well-governed, there cannot be too many; but there may be too many destitute, or dependent on precarious means, or hanging as dead weights upon others almost as poor as themselves. Mr. Carey's theory is the produce of the exceptional natural resources and social circumstances of North America. It belongs especially to "the far West," and it would be dangerous to trust it in our densely-peopled island. Far safer for us to attend to the warning given by Mr. Hovell Thurlow:—

"Until some means are found to drain off the surplus population, and to distribute it where it is better able to support itself, the efforts of philanthropists in erecting *cités ouvrières*, and in opening great markets—in other words, in alleviating the hard lot of the heaped-up population, but really only rendering it possible for it to heap itself up still more—however meritorious and munificent of themselves, by no means strike at the root of the evil."†

EMIGRATION.—We would not speak lightly of the extreme remedy proposed by Professor Fawcett; but surely, before this is pressed as a duty on working men, we should be willing to inquire what relief might be afforded by well-organised, co-operative emigration societies, acting independently of aid from the State. The draining off of "the surplus population" must be something better than sending out disorganised gangs of poor people to fight with Nature in her wildernesses. There may be found in the Ontario district room for a vast industrial population; but this

* "Principles of Social Science." By Henry Charles Carey. Three vols. Philadelphia, 1858-59.

† "Trade-Unions Abroad." By the Hon. T. J. Hovell Thurlow. London, 1871.

fact must not induce working men to go out and attempt to settle there as so many Crusoes. Two hundred pounds would be too little to start a Crusoe in making that attempt; for even if he took that capital there, a month's illness might ruin his experiment. Emigration, in the higher and more rational sense of the word, has hardly been tried yet. Some large plans—combining capital, labour and organisation—may, we trust, be included in the resources of the future. Co-operation, to carry out such plans, would be more hopeful than even the best of our schemes for living more comfortably in this island. It is possible that religion itself may, some day, cease to be abstract, and may send out, instead of solitary missionaries, co-operative colonists, who will have the advantage of being united by one faith. *Laborare est orare.* There are vast regions of the world where Nature is so bountiful that even Mr. Carey's theory might, for a time, be carried out there; but they are not ready-furnished lodgings. We must lower our estimate of the resources still left in the world, before we abandon the hope that a day will come when "captains of industry" will arise and lead forth into those regions strong and well-governed societies of men ready rather to die in a brave fight for existence, than to stay at home and perpetuate the warfare of class against class.

To conclude—the best of our plans, political or economical, must depend for success on moral culture. The four lower principles—self-love, acquisition, emulation, and lawful competition—give to society its rude strength and energy. Its progress towards a harmony of interests must demand the controlling influence of the three higher principles—sympathy, benevolence, and self-sacrifice.

THE COLONIAL QUESTION.

By James E. Thorold Rogers.

The English Colony is unique among political phenomena. Ancient history supplies us with abundant examples of voluntary emigration and settlement from Greece, especially during the seventh and sixth centuries before our era. But in all these cases, the tie between the mother country and the colony was speedily broken, or remained in no stronger form than a religious association. There are occasions on which advantage was taken of a city's origin, in order to effect a political alliance. But all these attempts to resuscitate an ancient connection were a mere pretext for the purpose of justifying a common political sympathy. Similarly, the plea that the colony had repudiated its natural relations to its origin was put forward as an excuse for hostilities, when the colony had joined one of those two international parties into which Greek society was permanently divided—the party of privilege, and that of equality, while the original home of the colonists was ranged politically on the other side.

The same history supplies us with examples of the other two sorts of colonisation—that of factories for the purpose of trade, and of garrisons for the purpose of empire. The former class of colonies was planted by the great mistress of ancient commercial enterprise, Carthage; the latter by the still greater mistress of political conquest and consolidation, Rome. Both those eminent centres of ancient civilisation treated their several colonies strictly as dependencies, with what success is known to all students of history. The Roman system was singularly strong. Its effects

survive, fourteen centuries after the dissolution of the Western Empire. The Latin race perished ages ago; but the name has been appropriated by the three political communities of Western Europe, because the Roman system still influences the social life of those hybrid races who have been formed out of numerous immigrations into France, Italy, and Spain.

The policy of Europe, when it began to discover and colonise, was to make conquests. The Spanish colonies of the New World, those of Portugal and Holland in Africa and the East, were subjugations of native races under a jealous government, the members of which were always supplied from the home country. Subsequently England entered on the same career, wresting India first from the grasp of the French, and next from the native monarchs. No war ever had more momentous consequences than that which is known as the Seven Years' War. It settled, apparently for ever, which of the two rival nations should colonise the world, for the struggle was carried on in both hemispheres, and with the same or similar results.

The English colony sprang out of private adventure. A handful of voluntary exiles, seeking generally to escape from a form of church government and doctrine which was absolutely hateful to them, but with a determination to establish another form of church government, and another set of dogmas as rigid and intolerant as that from which they had escaped, settled on the shores of Central North America. For a long time these colonists throve under the beneficent neglect of the Home Government. They were poor, and could pay no revenue to the country which they had left. The soil on which they had settled possessed none of those mineral treasures, the search after which was the object of such Governments as were on the look-out for conquests and dependencies. These colonies would have been independent at the beginning of their existence; would have at the very first asserted the same political freedom which was assumed by the colonies of Corinth and Sparta, had it not been for two causes.

This is not the place in which to discuss the origin of that loyalty to the person of the monarch which notably characterised every European nation from the commencement of the fifteenth century. It is sufficient to say that the doctrine of indefeasible allegiance to a monarch became a cardinal political tenet at the epoch referred to. A reputed traitor was as odious a character as a reputed heretic. The English Revolution of the Protectorate was effected by a very narrow section of English society, and when the struggle of the civil war was over, the nation fell inevitably back to monarchical institutions under Cromwell, and subsequently recalled the Stuarts by acclamation. We are expressly informed by those who had good reason to know, that at the second Revolution there was no republican party extant.

No distance of place, no persistency of neglect, no length of time, dissolved the bond of allegiance. The English colonists in America were as loyal as the freeholders of Middlesex, till the policy of Grenville and North drove them into rebellion. Even after the defiance, the spirit of resistance was constantly cowed by the spectre of allegiance. The founders of American independence ran more risk from the loyalists than they did from the hirelings with which George III. strove to recover his revolted provinces. Loyalty exercised a mysterious influence over the minds of men, even when they were smarting under irritating provocations.

If it is no easy matter to account for the growth of this peculiar political tenet, it is still less easy to explain its persistent influence. Many causes may have led to the development of the sentiment, but it is difficult to discover how, after the removal or extinction of those causes, the sentiment survived. Men were taught to believe that they were, under the name of subjects, the inalienable property of a particular family, and that it was the highest of crimes to deny or even to doubt the reality of the obligation. It was of no avail for a few persons to argue that political forms and organisations are to be judged by their usefulness, that allegiance and good government are reciprocal duties, and

that when an institution ceases to assist the public good, the institution itself deserves no respect, and should obtain no support. Whatever be the arguments which can be alleged in its defence, it will always be a matter of abstract debate whether any monarchical government is worth its cost, or the inconveniences which it inevitably involves; but if it be tested by habit and sentiment, the feeling of attachment to monarchs is, and possibly will be for some time to come, exceedingly strong and general.

The other cause which bound the colonies to the mother country was the doctrine of commercial reciprocity. It was supposed that the great value of the colony was a regulated monopoly of trade, by which the colonist was bound to receive the manufactures of the mother country, while the mother country granted the colony decided advantages in a market for its raw produce. This system was in full force at the time in which Adam Smith wrote, when the maintenance of this reciprocity was conceived to be the highest maxim of political wisdom.

We now know that it was an utter delusion, that it entailed a double loss, that it was equally injurious to the colony and the mother country, and that of all the errors which characterised what Adam Smith calls the mercantile system, it was the most baseless, if it was not the most mischievous. But a bygone generation believed implicitly in its beneficence. When Franklin, after the conclusion of the War of Independence, was at Paris, he expressed a wish to see Gibbon. The historian sent word that he would have no intercourse with a revolted subject. Franklin replied, that if Gibbon wished materials for a new work, on the decline and fall of the British empire, he would gladly supply him with the materials from his own experience of recent history. Both of these eminent personages spoke according to the sentiments of the day, and English statesmen congratulated themselves that their country had still some colonies left, with whom they could still pursue the time-honoured policy of reciprocity. The sentiment of

loyalty and the theory of reciprocal trade continued a relation between Great Britain and her colonies which in the absence of these motives would hardly have existed, and certainly would not have been enduring.

The reciprocal system was, no doubt, a boon to the colonial capitalist. It was of less value to the settler in the stricter sense of the word. The West India proprietor of a sugar plantation and of a gang of slaves had unquestionable advantages in the grant of a monopoly in colonial produce, in pursuance of which the British consumer had to pay a tax on sugar and similar products of the British Antilles, in order that the capitalist planter might be enriched. It was by a natural inconsistency that these planters, who had fiercely resisted the abolition of slavery in the sugar-producing colonies, subsequently strove as fiercely to maintain their monopoly, on the plea that it was immoral on the part of the British nation to consume sugar which might have been produced in Brazil, or Cuba, or the Southern States of the American Union.

Though the grant of a monopoly to the colonial capitalist was a boon, the old custom of restraining the colonist from manufacture, though a foolish regulation, was not positively inimical to his interests. Had manufacturing industry been manifestly advantageous to the colonist, no regulations would have prevented him from setting up manufactures in the colony. Had other nations been competent to supply him with cheaper goods than the mother country could, no police of the colonial ports would have prevented the smuggling of such articles into the colony. The advantage of a sole colonial market was only apparent. The British manufacturer would have beaten his rivals had the trade been free. At the present time the only check to the importation of British goods is to be found in the protectionist policy of colonial legislatures. But, despite the energetic attempts which these legislatures make in order to foster colonial manufactures, the British importer finds a considerable market in the colony. Three-quarters of a century ago, the artificial encouragement to manu-

facturing industry in a thinly-peopled country, which is now a folly, would have been a madness. Agriculture was the most lucrative occupation, as well as being absolutely necessary, and the country could have spared none of its capital from farming pursuits, in order to assist a puny and unprofitable manufacture. It has frequently happened in political history, that legislation which was believed to be beneficial has proved innocuous, only because it has been inoperative.

The retention then of the free English colonies, by which is meant those which have been voluntarily settled, and not acquired by conquest, or occupied as purely military stations, has been due to two causes—the loyalty of the colony to the Crown, and the reciprocity of trade. The former of these sentiments, it may be presumed, is as strong as ever. Late events appear to prove that it is more fervid than even was expected, and that it is perfectly spontaneous. The latter sentiment is an exploded fiction, though like most other fictions, it contains a partial or at least a seeming truth. The old maxim that it was expedient to regulate trade, *i.e.*, to supply a reciprocity by positive enactments, has been superseded by another maxim, that if sufficient care is taken on the part of a country to secure an abundant importation of foreign or colonial produce, there is no necessity to trouble oneself about the market in which exports may be exchanged. Take care of your imports, says the rule of modern trade, and let your exports take care of themselves. Such a rule is admissible only on the ground that a nation must make a virtue of necessity, and cannot, at least in general, force its products on an unwilling or a protected market. But it is contrary to reason to imagine that a country is as well off when restraints are put on its power of sale, as it is when no such restraints are imposed on its commercial energies. The restraint may injure that country the most in which the protective system is established, but it is not without its effects on the country which finds its power of sale hampered by the protective limitations of the other countries. I shall,

however, have occasion to revert to this topic when I reach that point of my subject which treats of the protective system adopted by several British colonies, and its effect on home industry.

I have used the expression, free English colony, because I am not unaware that under the common name of colony are comprised settlements which have been at some remote period the fruit of conquest, but have now become self-governed societies, such as French Canada and Jamaica; acquisitions such as those which have been accumulated in India, and which are administered by a military police; and posts which, being more like the ancient colonies of Rome than any other, as, for example, Gibraltar, Malta, Aden, and St. Helena, are occupied solely for military purposes. The last-named colonies are in reality forts, and their situation is to be justified on strategic or political grounds only, except when the advocates of the colonial system in its integrity, and in the popular sense which gives these forts the name of colonies, are incautious enough to descant on the energy with which such possessions assist British trade.

In these pages, then, it is the writer's purpose to discuss principally the relations in which the free colonies stand to the United Kingdom. By free colonies I understand not only those which, like New Zealand, have been entirely the offspring of voluntary emigration, but those which, though originally conquests, have been made autonomous, and those which have had the courage and success to thwart the administration of the mother country, in its attempts to make the colony the means for expelling the least satisfactory part of the native population of the United Kingdom, under a system of perpetuating colonisation from the worst part of the criminal classes at home. Strictly speaking, New Zealand is the only colony of consequence which is entirely of voluntary origin, a fact which was alluded to, a little ungraciously, by Lord Granville; for Australia was originally a penal settlement. The occupation of British Columbia is the consequence of a political compromise entered into between the Government of our

own country and that of the United States. The original title of the other British colonies is more or less strictly military conquest, or occupation.

I shall not, therefore, in treating the colonial question, busy myself with such dependencies as Malta, Gibraltar, Aden, St. Helena, Heligoland, and the Straits Settlements. The occupation of these dependencies is impugned and defended on political or military grounds. Attempts, indeed, have been made to prove that they are of great commercial importance. But the idea that a military station is of benefit to general trade has been slowly though successfully exploded. It is only revived when it seems expedient to disparage a political party, and it makes no impression on any but those who are on the look-out for the trivial sophistries of partisan calumny.

A colony, then, must be understood to be a settlement, the citizens of which possess the ordinary political rights of Englishmen. The foremost and principal of these rights is that of self-government. By self-government is meant the rights of parliamentary representation, of debate, and of legislation, of determining the sources of public revenue and of public expenditure, of enacting laws for the security and control of property, for the repression of crime, and for the present purposes of social order. To these political rights have been added, what indeed could hardly have been refused, the unchecked control over all the land which is contained within the limits of the colony, and which has not been already granted in private ownership. The English nation is familiar at home with those rights of property which the language of English law confers on the Crown, and has been informed that no usage or occupation can create a prescription against those rights. But the colony does not even recognise the fiction of Crown lands. It is the absolute owner of all waste or unoccupied soil, and can distribute the soil at its pleasure.

But on the other hand, though the discretion of the colonial parliament is practically unlimited, the colony is theoretically subject to the Colonial Office. The

Acts of a colonial parliament are liable to be revised and even rejected by the English Colonial Minister. But it is rarely the case that such a line of action is taken, and when it is taken its scope is generally some piece of social legislation. It may be confidently stated that no Act which has been passed by the colonial parliament, and which is really demanded by the colony, will be rejected by the English Colonial Minister. One of these Acts, which a section of the British legislature has repudiated for several years, the right of legal marriage with a deceased wife's sister, after having been disallowed twelve months ago, has been permitted to Australia a few weeks since. It may be added that many of the colonial Acts are diametrically opposed to the policy, and are supposed with no little justice to be inimical to the interests of the British nation. If Parliament had thought proper, by the agency of the Colonial Secretary, to interfere with the domestic legislation of a colony, no fairer excuse could have been afforded than in the protectionist legislation of Australia and Canada.

The decisions of colonial courts can be appealed from to the higher courts of imperial judicature. This system of appeal seems to be a badge of inferiority. But if the colonial statesman does imagine that the ultimate jurisdiction of certain English courts in colonial questions indicates the dependency of the colonist, he is reconciled to the usage by the fact that the court is a convenience, and that, being maintained at the expense of the Home Government, it is a cheap as well as an excellent form under which decisions on higher questions of law can be obtained by the colony. For obvious reasons, high legal skill is seldom found in such colonies as those of Great Britain are. In the nature of things the colonial bar and bench will not attract very eminent lawyers—or, at least, lawyers and advocates as eminent as those who practise and preside in English courts. It may be taken for granted that such appeals would not be made unless the home court supplied service which the colonial courts are unable to afford; and that if the colony found it advisable to discourage such appeals,

and gave its own judges the power of deciding finally on such cases as those on which an appeal is made, the Colonial Office would not press on the colony the retention of the present system.

The foreign policy of a colony is subordinated to that of the Home Government. The colony is disabled from those higher acts of sovereignty which characterise independent states—from the initiative in war, from alliances, and from diplomatic action. How far, indeed, a colony of Great Britain, were its wealth and strength such as might give it an effectual voice in international councils, would acquiesce in being silent during a political crisis, is a question which has not yet come within the range of discussion. It may be, however, that in case the foreign policy of this country imperilled the prosperity or security of a colony which was strong enough to be neutral, the colony would be tempted to separate its fortunes from those of the mother country, and might declare that it would not be bound by a decision to which it had not contributed, and which it had no constitutional power to criticise or condemn.

The colonist loses none of his rights as a British subject if he chooses to return home, and he enjoys all the advantages which the diplomatic and consular system of Great Britain affords to all British subjects in foreign countries. The former of these rights is in course of extension to foreigners, for modern civilisation is disposed towards granting easy means for changing nationality and allegiance, is abandoning the ancient rule that no one can throw off the claims of his native country. The latter is an advantage which the colonist enjoys without contributing in any degree towards maintaining the cost of the machinery from which an important service is supplied.

The relations in which the free colonies of the United Kingdom stand at present to the mother country are the result of a series of concessions to the principle of self-government. The apparent dependence in which

they are still placed is but a shadow of the dependence in which they were actually subordinated to the Home Government a century ago. There were very few Englishmen at that period who thought that the charters under which the British colonies carried on their domestic government were not revocable, that the industry of the colonists could not be properly regulated by the Parliament of Great Britain, and that the colonists should not be bound to contribute towards the charges of an imperial policy. The sympathy which a certain school of English politicians extended towards the leaders of the American War of Independence was much more the result of hostility to the domestic administration of George III. than of agreement with the aims and views of those who were associated with Washington. A publicist, for example, like Horne Tooke would never have argued that a colony should have an absolute discretion in framing its own laws, and its own budgets, while it claimed the military protection of the mother country; that it should have all the privileges of independence, and demand gratuitous defence. As long as the theory of colonial trade, which once prevailed, was religiously affirmed, as long as the possession of these dependencies was supposed to strengthen the military position and augment the public and private resources of the English people, the cost of governing and defending the Colonies was supposed to be compensated by certain solid advantages. But no rational person would have recommended or maintained a policy the benefits of which were, at least from a material point of view, wholly one-sided.

After the commercial theory of the colonial empire was abandoned, or at least challenged, another interpretation of the relations between the mother country and the colony was offered. It may be found in Lord Grey's defence of Lord John Russell's colonial policy. No political theory could have enlisted an abler or a more conscientious advocate. They who study Lord Grey's volumes cannot fail of seeing that the writer aims at influencing the imagination as well as convincing

the judgment. He contemplates the colony as though it were a spectacle of untutored childhood, which needs the wise and beneficent advice, the control and protection of a prudent and experienced father. During the time of this nonage, when passion is strong, and knowledge, especially knowledge of the world, is slight, no more wholesome correction can be devised than that which is supplied by the care of a patient, anxious, and affectionate parent. It is true that the counsel is often spurned, the correction is resented, but such conduct is to be expected from the petulance of youth. A prudent and cautious father will only redouble his vigilance when his advice is rejected and his wisdom is scorned. In no case will he relax the bonds of his authority, since he is assured that the discipline to which he subjects his wayward child is dictated by true benevolence, and will be gratefully remembered when, thanks to unremitting firmness, the youth has reached his years of discretion, and reflects on the careful training to which he has been fortunately subjected.

In politics, as in other matters of high importance, metaphors exercise a great but a pernicious influence; and among these metaphors none have had a more inveterate influence than those which have been employed to denote the relation between the United Kingdom and the free colonies. The most obvious of these expressions is that which designates the connection between the two communities as that of a parent and child, or, to be more correct, suggests the still tenderer similitude of mother and babe. The Englishman is, or was, invited to conceive himself as occupying the maternal relation: the colonist was called on to imagine himself a helpless infant. As the care, the devotion of a mother are unremitting and unreasoning, as the sentiment of civilised society looks on the desertion of an infant by its mother as in the last degree unnatural, so it seemed that the protection which the United Kingdom was bound to offer to its colonists, should be as fervent and self-sacrificing as that of a mother for her offspring.

The facts do not bear out the metaphor. The British colonist, instead of being a helpless and untaught child, is in reality a hard-headed, enterprising, active man, who trusts to his wit and his hands that he will mend his fortunes greatly by migrating to a new and boundless field of labour. He has owed nothing to the country which he has left, for he has transplanted himself to his new home by sheer energy and determination, and he thrives by doing so. The grown children stay at home, the helpless, the desponding, the idle, the unhandy, the unthrifty. The colonist, as a rule, and considered from a merely commercial point of view, is the most vigorous and healthy of the race, the man who is least like a child, the exemplar of the strictest natural selection. For reasons which will be apparent hereafter, the selection is effected on the most rigid principle.

The mother is the Colonial Office. The sedulous care of a parent is ostensibly administered by a gentleman who forms part of a cabinet whose tenure of office is limited by the strength and the success of the party to which he belongs, and whose thoughts are anxiously directed to the policy of his associates in the Administration. The real functionary who directs the fortunes of the colony, and who trains the infant to manhood is a Government clerk, who holds a permanent office, who is independent of all administrations, and need not be affected by the pressure of public opinion. The nation at large knows very little of its colonial children, and Parliament knows very little more. It may be doubted whether four-fifths of the personages who sit in the Houses know the names of the chief towns in the several British colonies, or can give any but the vaguest answer as to their population, their resources, and their wealth.

The system of tutelage which Lord Grey advocated and defended has been abandoned. It was found to be inefficacious and capricious, and the colonist, whose business was too practical for metaphors, resented it. It was found to be terribly expensive to the United Kingdom. The Chancellor of the Exchequer presented a budget, which suggested fiscal reforms, and promised a

surplus. But a Kaffir war, or a Maori revolt, delayed the reform, and turned the surplus into a deficit. Fortunately the greater part of our colonies had been planted in regions where the aborigines were weak and unwarlike. It is not easy to conceive what would have been the facts of British finance had the outlying parts of Australia been peopled by Maori and Kaffir tribes, or had the settlements of the British nation been as costly as Algeria, the most unlucky colony ever organised by a nation.

In the anxiety of the Colonial Office to fashion the institutions of the settlement after the model of the home country, an attempt was made to supply the settlers with a national church. In Canada care was taken that this church should be endowed with reserves of public land. In other colonies, the clergy of the episcopal communion were supported or assisted by stipends charged on the imperial revenue. But the colonists carried out with them all those varieties of religious belief which are witnessed in the United Kingdom, and developed other varieties of their own. It is probable, indeed, that those persons who have thought proper to decline the offices of a state church, and to construct a religious polity for themselves, would be the very persons who would be led to try their fortunes in another country, and that those who were satisfied with the Establishment would be content to remain in their native land.

At any rate, the episcopal form of church government, with which we are familiar, and which is said to obtain the allegiance of a moiety of Englishmen at home, was found to count only a scanty following in the Colonies. It is possible, had the British Government been content to pay the stipends of the episcopal clergy, that the colonists would not have remonstrated seriously against such an act of imperial beneficence. But the case assumed a different aspect when the Colonial Office reserved a portion of the colonial lands for the sustentation of these clergy. The agitation which was commenced against the clergy reserves in Canada was successful,

in spite of very strenuous resistance. In course of time the clergy were left to the bounty of their own flocks; and though colonial bishops still make appeals to the benevolence of episcopal congregations in England, and deplore the scantiness of their resources, it is said that the Anglican system has thriven since its independence.

It was not possible to found a colonial aristocracy. An institution which accident created in England, which tradition has sustained, which habit has made delightful to some persons and endurable to others, could take no root in the British settlements. No aristocracy can exist, unless it contains the wealthiest of the community within its order, unless rank is consecrated by time, and unless the nation is content to acquiesce in certain legal provisions which secure the possessors of hereditary rank against the consequences of their own vices, and which bring about certain serious social anomalies. I am, of course, speaking of an aristocracy as a definite political institution. In this sense there is no aristocracy in the United States. There are, of course, families in the American Union who have political traditions, and who find, under the control of public opinion, that these traditions have their value. For example, no noble house in the United Kingdom has so distinguished and so continuous a political history as the American family of Adams has.

Where a fortune is a thing of yesterday, where the spirit of equality could not brook the favour which might decorate one rich man with hereditary rank, and leave other rich men untitled, and where the spirit of rude justice would be still less likely to acquiesce in such settlements of wealth as would make one son opulent and leave the other sons penniless, no aristocracy can take root. In fact, the successful colonist, even if the habits of the colony would allow the creation of an aristocracy, generally prefers to transfer his wealth from the place in which it has been accumulated, and where its origin is known, to the old country, where it is far more easy to found a family, and to acquire a pedigree. Perhaps the modern expedient, by which an order of

knighthood is conferred on conspicuous colonists may tend towards settling some of the wealthier traders and planters in the community where they have gained riches and distinction.

English publicists have found out that the reciprocity theory, which constituted in the minds of our forefathers the chief motive for cherishing the Colonies, was an economical heresy, in support of which neither facts nor reasons can be adduced. They have discovered that the paternal theory, under which the Colonial Office was modelling dependent communities on the Whig principles of 1688, was a dream of doctrinaires; that the colonist ought not to be kept in leading-strings, and that he would not be kept in them by the most beneficent and intelligent politicians.

These theories are abandoned. We are now told that the vast colonial possessions of the United Kingdom, as such, add to the greatness, the strength, the reputation, the glory of the old country. It is alleged that if the political connection between Great Britain and her colonies should be severed, these islands would sink to the position of a paltry speck on the great globe; that England would become a fourth-rate power, whose counsels would never tell in the world's senate.

There is a germ of truth in this statement. There is, perhaps, no intelligent person in the United Kingdom who does not feel a just pride in the conquests which his race, his language, his literature, his institutions, and, I will even add, his religion, have made on the surface of the habitable world. It is no little matter that England is, and in no metaphorical sense, the mother of free nations; that she has been brave without being enslaved to a military system; has been loyal, without any pedantic attachment to political forms; adventurous, without being selfish and rapacious. It is still more a matter of congratulation that she has gained in moral strength as she has broadened the foundations of the race which has sprung from her, and that, whatever may be said of her policy in past times, she has striven to conquer Nature alone, and has determined on abstaining from

any attempt to enslave man. The worst that can be said of her latest wars is, that they were Quixotic, and have been barren. It might have been wiser in her to have not undertaken them at all; but an enthusiasm, the direction of which is misguided or mistaken, may be a real nobleness at bottom. A hundred millions of people speak the English tongue: in a century they will be quadrupled. A hundred millions of people are sensible of a common honour: in a century they will achieve a peaceful victory over barbarism.

But the glory of our country is not to be confined to those who profess a political union with the three islands. In the best sense of the word, the United States are a colony of this country, and ought to be in the closest social union with it. It is the highest treason which can be committed against the true empire of England to foster bitter feelings between the two great families of the English race. The imaginary offence of setting class against class is generally no better than a sophism by which a real patriotism is maligned; but there is no crime more atrocious than that of setting nation against nation, except the parricidal effort to embitter two families of the same race.

And, in the same way, it is no small matter that the English nation has extended its religion. It would not become the writer of a political essay to introduce polemical topics into his theory; but the religion of the English nation is not polemical. Its essence is the same freedom, the same right to take nothing on bare authority, which underlie our political and social institutions, which should criticise without spite, and debate without hatred. But such a religion contents itself with willing votaries, and has set its face steadily against all persecution. As a consequence, it is in no sense political, and the estimate which the politician makes of it is relevant solely to its social value. It is, perhaps, not too much to say that the principles of toleration, slowly as they were admitted, have had their birth in the English mind.

If the United Kingdom, apart from its possessions,

is intrinsically so unimportant and uninfluential as some advocates of the colonial system make out, it seems strange that the inhabitants of these islands should be called on to contribute about two and a half millions annually* to the defence and administration of those British settlements which enjoy constitutional and responsible government. It would appear to be more in accordance with political wisdom that the resources of a community which is made to depend on external associations for its greatness should be husbanded with the greatest care and expended with the greatest caution. But the facts are, that the Colonies do not add to the lustre of this country, except in so far as they are illustrations of the vitality which the energies of this country possess. It is the United Kingdom which sheds a lustre over the colony, which gives the prestige and reputation which the colony possesses, which confers on it a share in the history of a great race, and associates it with the collective triumphs which that race has won, and is winning. The colonist calls himself, and wisely calls himself, an Englishman. No one grudges him the name.

But in reality, greatness and strength do not lie so much in the possession as in the concentration of power. The English nation is not indebted for its influence to the facts that it has a hundred dependencies, and that the sun never sets on the settlements which profess to be loyal to the political centre which England represents; but to the real resources which it has in its courage and its opulence. England, perhaps, is no longer able to cast its sword into the scale of European politics, or to arrogate that it can maintain the balance of power. The circumstances which render it—common precautions being taken—a great island fortress, impregnable to attack, cripple its power of offensive warfare. In order to transport an army which might incline a struggle between

* The actual cost of the British colonies, according to the last return (Feb. 23, 1871), and excluding Gibraltar, Malta, Bermuda, St. Helena, Heligoland, the Falkland Islands, and the Straits Settlement, was for the year 1868-9, £2,532,144. Including these stations, the amount was £3,620,093.

any of the great military states of Europe, it would need a fleet larger than any existing navy; it would, unless it sought the shores of an ally, require another fleet as large as its own navy in order to secure a landing, and to keep up its communications. But the difficulties which limit its opportunities of offensive warfare increase its powers of defence.

With the exception of Canada, the free colonies of Great Britain occupy the same position that the home country does. No person, I believe, who is acquainted with the rudiments of military science, doubts that the United States could overrun Canada, and that the forces at the disposal of the United Kingdom, even if they were greatly increased, would be insufficient to arrest the progress of the American arms. But no other colony is exceptionally open to attack, none is shut out from the means of adequate defence against the aggression of a neighbour. It does not seem, in the event of a war between the United Kingdom and any other country, that it would be any advantage to assail a British colony, except in so far as the attempt might divert a portion of the forces of Great Britain from the business of domestic defence.

If the greatness of a country consists in the number and extent of its dependencies, the Spain and Portugal of the eighteenth century had a wider empire than our own, in those colonies from which, unlike ourselves, these states drew considerable pecuniary revenues. But the Spanish colonies were a source of weakness to Spain, instead of strength, history supplying no instance of more rapid and total decline than the contrast between the power which was wielded by the first and that which fell to the hands of the last Charles of Spain. Spain, indeed, lost all her weight in European councils long before she was reft of her colonies, chiefly, perhaps, because she possessed them.

On the other hand the France of 1762 was stripped of her colonial possessions, some slight or unimportant settlements excepted. I admit that no more momentous consequences could have ensued to the history of

mankind than the issue of the Seven Years' War, for it arrested French and developed British colonisation. But though it seemed to leave France destitute of that vaunted prestige which is attached to the possession of numerous dependencies, that country became, a generation later, the conqueror of Europe, and for awhile maintained an unquestioned ascendancy from the Vistula to the Ebro. I cannot find, in the history of any considerable European nation, that the strength of the people has ever consisted in the long roll of its dependencies.

English politicians have abandoned the project of creating or maintaining a colonial empire, in order that the mother country may enjoy an exclusive trade with such possessions. They have relinquished that paternal theory which pretended to prescribe the constitution, to watch the legislative acts of the colony, and to shape its social system by the wisdom of a permanent check at the Colonial Office. They are gradually discerning that, however much they may assert that the political greatness of the United Kingdom grows, or is lessened, as the nation retains or loses its hold on these distant possessions, the English people are unwilling to allow that the connection is to demand of this country that its military and naval forces should be devoted to colonial defences. In the case of one colony it has been seen that to concede such a demand is unjust and inexpedient; unjust because it puts the cost of defending wealthy settlers on the taxpayers of the United Kingdom; inexpedient, because it is the least satisfactory way of distributing the national defences.

The statesmen of both the great traditional parties in this country (for Sir Charles Adderley is in thorough harmony with Lord Granville on this subject), entertain a far sounder view of the relations in which the Colonies should and must stand to the United Kingdom, and are gradually working out their policy. We may conceive it settled finally that the colony must undertake the obligation of defraying any expenses which may attend native wars. The imperial exchequer will not for the

future bear the cost of Kaffir and Maori squabbles. It is probable that the colonists of the Canadian Dominion must hereafter feel it to their interest to keep on good terms with their powerful neighbours, or submit to the responsibilities of a different policy. There is, I believe, no strategist of repute who believes that the English nation could undertake the military defence of Canada against the forces of the United States. There is, I believe, no politician of ordinary sagacity who has any reason to fear that a quarrel need arise south of the St. Lawrence and the great lakes. It may be hoped that the day is past in which an attempt will be made to encourage hostile feelings between Great Britain and the United States, in order to serve the interests of a political party in either of the two nations.

They who wish well to the British colonies desire to see these settlements become real political societies, whose business it is to work out the several problems which press upon colonial life. A colony ought not to be a mere machine for making wealth—the settlers in which, after they have achieved opulence in the colony, eagerly hurry back to their old home, in order that they may achieve social rank—but which has permanent duties to perform, permanent interests in prospect. Of course the greater part of the settlers make the colony their final home, but there are not a few of them who, having become great capitalists, are eager to blot out the memory of the cradle in which their fortunes were nursed. As a matter of fact, it will be found that much of the resentment which has been expressed by colonists against the modern policy of successive administrations, is uttered by colonial politicians, and those whose residence in the colony will cease when they have acquired a competent fortune.

In order that a nation should be trained to freedom, it is necessary that it should undertake all the responsibilities of freedom. Among these, none is more obvious than that of bearing the consequences of its own policy. Under such responsibilities the New England States grew as much in character as they did

in opulence. That character was not improved when the American plantations were drawn into the Seven Years' War, and were made to take part in the fruitless task of securing the balance of power. That compactness and interdependence which are essential to the development of civil society, are best secured in the case of new settlements, when the colony is obliged to be prudent in extending its boundaries. It is probable that the future of New Zealand, the settlement of which has been cautiously effected, owing to the resistance of a warlike native race, will be brighter than that of Australia, where the settlers have scattered themselves over-eagerly.

If a community possesses free institutions, can permit itself liberty of speech, is able to criticise political action, obeys the laws which it adopts, and permits no privilege which may interfere with the public good, the form of government which such a community adopts is of very little importance. Its true objects may be equally well served, whether it adopts monarchical institutions, commits a part of its own legislative functions to a senate, which is, in so far as the life-tenure of a seat can make it, irresponsible, narrows the franchise of those who elect the popular part of its legislature, and declines to make the representative unit correspond with a fixed number of electors; or, if on the other hand, it adopts the reverse of this system, governs itself by democratic institutions, allows no upper chamber, or elects it for a short period, grants universal suffrage, and establishes an exact correspondence between the representative unit, and a given number of electors. There have been democracies whose discipline has been tyrannous, monarchies which have given the largest measure of personal freedom to the subject; just as either form of government has permitted action and speech to its citizens, and in so far as neither action nor speech has been abused. There is, I am persuaded, no greater error in the practice of politics, than that of debating on the form of government which a community may adopt, or has adopted, and of omitting to reform or

abolish laws which favour particular interests to the injury of the public good. How can a community be called free, which, while it gives free speech, allows a wide suffrage, and encourages debate on acts of political parties, denies the right to a free market, because certain interests have had the address to establish trade restrictions to the advantage of a section in the community, and to the loss of all other sections?

It is impossible that the political education of the British colonies should ever be completed till such time as they undertake the full responsibilities of freedom. It is only just to them to allow that they are beginning to understand this fact. Ten years ago any statement to the effect that the colonies had duties, the fulfilment of which was their own business, and not that of the United Kingdom, was met by angry and even abusive rejoinders. They who argued that the colonist should undertake the duty of colonial defence, and not clamour after the expenditure of British money for troops, ships, and fortifications, were charged with a sordid economy, and credited with the design of dismembering the empire. Even now an Australian premier rebukes the Colonial Office, and through it the British Parliament, for withdrawing troops from that wealthy and thriving settlement. But, generally, the colonists are acquiescing in the new policy of successive administrations, and are beginning to see that while the home legislature cannot without wrong to those interests which it represents, sanction the expenditure of public money on colonial wars, or even on colonial defences, so it ought not, in the interest of the colony itself, to substitute external assistance for that habit of self-reliance which goes for so much in the construction of a nation.

It is sometimes said in answer to those who argue that a colony ought to undertake all the charges of its defence and government, that the expenditure of the free colonies is already exceptionally high, and that it has greatly increased of late years. The statement is strictly true. Before the era of responsible government commenced in the colonies, the expenditure of the colony was

about £2 per head of population. Since that epoch, it has risen to £6. It may even increase beyond this sum, when the colonists take on themselves all those charges which are now borne by the home exchequer. But it is not difficult to explain this outlay, and even to congratulate the colony on it.

In the first place the colony, if it pays any attention at all to its own future, is constrained to make outlay on objects for which provision has already been made in the home country. To their great credit the costs of public education are an exceedingly heavy item in the expense of colonial administrations. The colonies, with a laudable prescience, have recognised that it is of the highest consequence to themselves that the community should supply teaching from the general, rudimentary, or primary education to the highest culture which the colony finds possible or expedient. Many, therefore, of these colonies have laid out large sums of money in the machinery of university as well as of national education. In the United Kingdom the charge of higher and middle education is chiefly supplied from endowments, which, although they are ancient benefactions, are practically a tax on the community, or at least stand instead of that which, in the absence of such endowments, must be a tax. It is probable that the annual revenue of educational endowments in the United Kingdom, and of those benefactions which are analogous to such endowments, is not less than from £4,000,000 to £5,000,000. A sum which is, proportionally to the population, larger than the income of all the endowed charities in the United Kingdom, forms a charge on the annual industry of the more prosperous and intelligent colonies. In a minor degree a similar outlay is required for government and municipal buildings.

Again, the cost of the public service is naturally higher in colonies than it is in an old settled country. Profits are high, and therefore wages are high. Work which may be cheaply done in England is far more costly in a settlement. In the United Kingdom it is reckoned that the expense of the army is, in round numbers, £100

per annum on each nominal soldier. It is most likely that the same service would cost half as much again in Australia. Even in the United States the cost of keeping up an army is far greater than it is in Great Britain, not only because the actual expenditure on each effective is higher, but because a country in which labour is, and for a long time will be, at a premium, cannot afford to devote any notable part of its citizens to a military life.

Furthermore, the opulence of the colonists leads to great public expenditure. The power which the inhabitants of a country possess of enduring taxation depends, not upon the aggregate wealth of the community, but upon the distribution of income among the members of the community and the excess of that income over the necessities of the individual. Now, in most of the free colonies the primary necessaries of human life are very cheap. These communities are great exporters of food and of raw material. It is not unlikely that Australia, the Cape, and ultimately New Zealand may furnish the inhabitants of the more densely-peopled European countries with large supplies of meat. Now, it needs no argument to show that the colonist who experiences abundance of the necessaries of life, to whom bread, meat, and other kinds of food are cheap, has a far larger margin from which he can contribute to taxation than his less fortunate kinsman in the old country. If we add to this that the progress of opulence among those who prosper is more rapid, that the number of colonists who grow wealthy is greater than the number of those who succeed under the competition of the home country, and that no one who can and will work fails to obtain an abundance of the common comforts of life, it will be clear that the taxable power of the colonist is greater than that of the nation on which the colonies are said incorrectly to depend.

But the luxuries of life, it may be objected, are far dearer. True; but they are far less eagerly sought after. Those colonists who are bent on making a fortune are thrifty, and those who aim at comfort are prudent also. There are numerous opportunities for investing savings.

The colony is able, and will be able for many a long day, to absorb all the capital which the energies of its citizens can accumulate, and provides the sharpest incentives to saving by the rate of interest which it is able to offer to those who are willing to accumulate wealth. It is often made a reproach to the colony that the prevailing tone of society is eagerness after wealth, and a disposition to measure all worth by material success. The charge is probably exaggerated. It must be allowed that the readiness with which the colonist bears the costs of providing a system of national education is a proof that the colony sets store on other things besides the growth of opulence.

Moreover, in a country which is, and must remain democratic, the ostentation of private wealth is checked by public opinion. The tendencies of American society are still more marked in the free colonies. Malevolent critics of the United States frequently point to the extravagance of mercantile wealth, to the vulgar profusion of those who have suddenly grown rich, to the airs of lavish expenditure which the travelling American gives himself on the continent of Europe. But it may be doubted whether American society would endure horse-racing, and the world of rowdyism and ruffianism which the fashion engenders among ourselves; whether it would permit the excessive preservation of game, which forms so mischievous a luxury among ourselves, or would even allow the pigeon-shooting clubs of Hurlingham and such places. The American would consider these and similar practices as the most insolent manifestations of arrogant wealth, and, as I conceive, the British colonist would think so too. Now communities in which excessive personal expenditure is checked by public opinion, have a still wider margin from which that which is needed for public purposes may be taken and employed, without causing the individual to feel that his enjoyments are seriously curtailed by taxation.

It is an admirable characteristic of American society that those who accumulate great wealth are constantly giving largely to institutions of a permanent nature.

Instances of munificence are comparatively rare in the United Kingdom. They are very common in the United States. In our country the possession of wealth gives the wealthy man more social and political advantages than it does an American citizen. A rich Englishman contemplates a seat in Parliament, a baronetcy, a peerage, almost as his right. To give away to public purposes is to diminish the fund which forms his claim to social distinction. The social institutions of our country stimulate the morbid passion for founding a family, with all the injustice and pride which such a passion engenders. Even when those who found a family are free from the exaggerations of these vices, the tendency itself is personal and selfish, and in no way patriotic. The boast of patriotism is often a fiction, but the desire to recruit the ranks of the aristocracy with one's own wealth is naked and undisguised selfishness.

This desire on the part of Americans to identify their names by means of their wealth with great and permanent institutions is one of the healthiest phases of American patriotism. But it would never have been developed had not the American citizen permanently identified himself with his country, and with the future of the Union. Nor till the rich colonist entertains the same sentiments towards his adopted home, will true public spirit ever direct the counsels or influence the mind of the British colonists. How far the habit of considering himself as the member of a dependency to the United Kingdom may induce the wealthy settler not to consider the colony as his home, may be estimated by those who can understand the difference between full and partial political responsibility.

At present the colonies have full legislative powers at home. The British Parliament levies no taxes on them. They can pass what legislative acts they like, subject only to the easy acquiescence of the Colonial Office. It is probable that the veto of this office has been exercised for the last time, and that the concession of a law which the British House of Commons has frequently affirmed, and the British House of Lords has

as frequently rejected, is a final precedent for the independence of the colonial houses of legislation. No British Parliament would venture on settling any part of the colonial empire against the will of the colonists themselves. They have resented, and properly resented, the infusion of a convict element into their society, and they would equally resent any attempt to found a convict settlement in any such proximity to themselves as would involve the risk of a convict migration. They have remonstrated, for example, and with effect, against the introduction of convicts into Western Australia. There is reason to believe that, if the home government attempted to relieve itself of any part of its adult pauper population, there would be nearly as grave offence taken as there has been at the importation of convicts. The colonist does not care to import any but the very best hands, and is particularly anxious that those hands should not come with wholly empty pockets. The wish is very rational.

Again, as the colony has full legislative powers, so it has obtained in full possession the land on which the settlement is made. I am not aware that there is a single acre of land in any of the British colonies which belongs to the British nation, or which could be said to pertain, even by a legal fiction, to the British Crown. The American Government has not been so generous to the States which compose the Union, for it has retained the disposition of the national inheritance in its own hands. The British nation, like King Lear, has given all. It cannot, however, be said that its family is undutiful. The fault of the offspring, if I may use the metaphor which I disclaimed in an earlier part of this essay, is that having a large and improving estate of its own, it has been over-eager in asking for assistance in order to bring about the improvement and enlargement of this estate more rapidly than could have been effected by its own means.

In short, the political situation of the colonies to the home country is that of the states' right theory in its extremest form, and with additions. The colonist has

no foreign policy. He has no diplomatic service to create and sustain. He has no alliances to make or keep. If the home country is embroiled in foreign war, and danger threatened the colony, it is understood that the British navy, and, if possible, the British army, should be at his service. That the colonists would co-operate in the general defence of the empire, as far as they are individually concerned, cannot be doubted. But at present they are relieved from making provision against such an emergency.

The American people have seen that it is expedient to control the partial independence of the several States which compose their Union, for they have recognised the fact that the past perils of the Union arose from this partial independence, and from the attempt to increase this independence. It is not probable that such a policy would ever seriously recommend itself to the British Parliament, or that the nation should seek to absorb the colonies into its political system. Hence it is necessary to adopt a reverse policy, and to gradually inure the colonies to greater independence and responsibility. It is possible that such a course of action would make the relations of the colony and the home country more intimate and more enduring.

The connection which has hitherto been established between the colony and the home country, when estimated by its social effects on the former, and by its fiscal and political effects on the latter, is admitted by all who have attended to the question to be unsatisfactory. The colony is deterred from fully learning the lesson of self-reliance. The colonist is encouraged in not considering the colony as his permanent home; for the tendency of our colonial policy has hitherto been to dissuade the wealthiest and most intelligent of the colonists from concentrating their energies in the cradle of their fortune and reputation. There is no export of the colony which the settlers can less afford to lose, and none which the home country should less care to gain

than those persons who have risen to fortune or credit in the place where they once settled. There is no true future to a country, the most influential and important of whose inhabitants are taught to look on their abode in it as transitory and temporary. The home country is none the better for the return of such persons, any more than it was for that of the nabobs and planters, who, a century ago, gained their wealth in the East and West Indies, and expended it in vulgar ambition at home.

If the home country has no interest in assisting those who have emigrated, still less does it gain any advantage by assisting the wealthy colonist in accumulating his fortune. Collectively, no doubt, this country is very rich; but the distribution of wealth in the United Kingdom is by no means satisfactory, nor is the process by which the revenue of the United Kingdom is raised so faultless as to render Englishmen indifferent to the pressure of taxation. The most modest estimate of the burdens borne by the people of this country sets the charge of government at ten per cent. of the annual earnings and income of the people. A more careful estimate would probably prove that the deduction which taxation makes from the revenue of the people is twenty per cent. Much of that revenue is necessarily expended in the process of earning it, the remainder, after this charge is satisfied, being that only from which taxation can be raised; this residue constituting the fund from which savings can be made, and which can be fairly said to be the means of enjoyment. Upon this residue of the nation's annual earnings, it would not be difficult to show that taxation imposes a charge of fifty per cent. It is not wonderful that, as the British taxpayer begins to understand the real incidence of taxation, and the extent to which his enjoyments are curtailed by the charge of government, that he should seek to lighten the load, and especially should try to get rid of that kind of expenditure which does not seem to afford him any other advantage than that of cherishing a doubtful sentiment, and of suggesting a still more doubtful prestige.

The presumed political benefits of the present

colonial system are an exploded fiction. The colonial empire adds nothing to the military strength of the home country, but rather diminishes it. The Colonial Office adds nothing to the stability of colonial society, but tends to lower the character of colonial life. I do not deny that there are individuals, and even classes of society in both countries, who find an advantage in the continuance of such relations as have subsisted hitherto between the United Kingdom and her free colonies; but neither the aggregate of the colonists, nor the aggregate of the English people, have derived any political benefit from these relations, but, on the contrary, have suffered loss; the latter in the expenditure which it has submitted to, for the sake of the government and defence of the colonists; the former in the lessened cohesiveness of a community, which is relieved from the highest political responsibilities, and in which many of the settlers look upon their home in the colony as a place in which they are bound to make as much money as they can, as speedily as possible, and from which they intend to depart as soon as their object is satisfied.

But it may be said, that whatever may be the political consequences of the colonial system, great economical advantages are involved in the retention of the colonies. We are told that they form a ready and obvious market for British goods, and that they are the great sources of many and important raw materials. It is urged that they are not only a convenient, but a necessary outlet for a redundant population, and that without them the United Kingdom would be oppressed by its numbers. And, on the other hand, it is urged that the colony could not stand alone, that it would fall a prey to some designing power, and that at least its progress would be retarded in the absence of that help and protection which the imperial government affords.

The idea that European powers would attempt to appropriate the free colonies of the English race, or would seek to make a conquest of them, is, I am persuaded, the most preposterous of delusions. There was a time, indeed, when our own country conquered

and appropriated the colonies of other nations; but this kind of enterprise was in pursuance of a policy which has been wholly abandoned by English publicists, and almost entirely by the civilised world. It was once believed that the commercial greatness of a country consisted in the maintenance of a trade monopoly. Long and costly experience has proved that the reverse of this policy is the only true course which an intelligent nation can adopt. In our own interest we have determined for twenty years and over to give the trade of our colonies no advantages over those enjoyed by any foreign nation. We have once and for all given up all differential duties on colonial and foreign produce. We have permitted our colonists an unlimited discretion over their own budgets, and they have exercised their discretion with a witness.

Again, most of the colonies which the English nation acquired by war were not the free settlements of, but factories governed by, foreign states, or by foreign companies. To attack and appropriate them was considered an obvious and natural military operation. But the free colonists of the United Kingdom are, as far as the mass of the colonists are concerned, permanent settlements which are almost autonomous. If, as is said, they invite attack whenever the English nation is involved in war, they are liable to this contingency, because it is thought that a raid on them would be a dishonour and disgrace to England. If they were actually as well as practically independent, they would be far less liable to attack than the small states of Europe are, as long as such states carry on their public affairs with ordinary prudence. In the case of the most exposed of our colonies, no respectable American citizen dreams of annexing Canada, or of attempting its annexation. They who advise or threaten such a policy are the worst class of political adventurers. They who from time to time have made raids on the Canadian frontier, are a body of desperate fanatics, who are as much outlawed by the public opinion of the United States as they are discredited among ourselves, and

despised by the Canadians. But even these ridiculous attempts get what *raison d'être* they have in the desire to annoy and vex the British Government. If Canada were an independent state, the persons who commit these offences against public law and civilised society would get the fate of pirates and highwaymen. It is the colonial question only, which takes the movements of the American Fenians out of the category of vulgar crime.

They who argue against retaining the British colonies in a state of political dependency, are charged with hostility to colonisation. Such a charge is as false as it is malignant. There is not, I believe, an Englishman who does not desire to see the extension of the race, the customs, the language, the literature in which he glories, or who does not rejoice at the fact that this race is growing rapidly on the fairest parts of the civilised world. But, the very fact that he does feels gratified at such prospects and such results, should make him more than ever anxious that the colonies which are planted from this country should reproduce the most characteristic peculiarities of the British constitution. Among them none is more characteristic than the complete political responsibility of the English nation, as shown by the part it has taken, and still takes, in the establishment and development of a sound and progressive system of international law. This, as we are beginning to learn, is the true theory of a foreign policy. As soon as this country, in conjunction with other civilised communities, has constructed a code of international law, and has established a court of international judicature, it may perhaps if need be, and as a last resource against the barbarism which refuses to abide by the decisions of a duly-constituted bench of judges, join with other nations in compelling disobedient governments to keep the peace, and turn its army into a branch of an international police. There is every reason why the United Kingdom should take counsel with her colonies, in order to bring about so desirable a result. It is certain that, until these colonies enter

upon these fuller responsibilities they will not possess the best characteristics of a nation.

We are told that the colonies are a market for British products. I will not anticipate in this part of my essay, what I have to say further about the tariffs which the colonists have established. But had the trade between the colony and the home country been ever so free and unshackled, such a trade does not arise from the dependency in which the colony is placed, but from the fact that the colony exists. A colonist, no doubt, takes out with him the habits, the tastes, the fashions of the country which he has left. He takes them just as much as he does when he goes to the United States, and he gratifies or follows them no more, whether his new home be in Canada, or in the Union, or in Australia.

A colonist does not grow wool or cotton, dig gold, reap wheat, or cut lumber in order to confer a service on the mother country in return for the protection which the British Government has hitherto afforded him. He engages in these industries from the ordinary commercial motive of an enlightened self-interest. He would not sell these articles to a British merchant a fraction cheaper than he would to a French, a German, or an American dealer. The idea that men carry on a business on behalf of the common good was long since ridiculed by Adam Smith, as a transparent fiction. The notion that a colony trades with the home country for any other reason than because the colony discovers that the home country affords it the best market, would be an affectation which common sense is abundantly able to recognise and repudiate. To do them justice, the colonists never set up this plea. It has been reserved for sciolists at home, and for those who know how to play upon ignorance and prejudice.

The colonies have, it is true, been an outlet for British capital. In some respects this diversion of capital has been more advantageous to the colony than to the investing public at home. The Grand Trunk and Great Western Railways of Canada may have a

prosperous future before them; but their present state, and their past history, is anything but creditable to the integrity of the borrowers and the judgment of the lenders. With one exception, the history of which is now perfectly well known, the American railways present a very favourable contrast to those two gigantic Canadian undertakings.

I make no doubt that the dependence of the British colonies enables them to borrow on better terms than they could if their political dependence were entirely at an end. The lender in Great Britain is under the impression that the British Government gives an implied guarantee to the borrowing colonial governments. It is probable that were these governments to make default, the Colonial Office would do no more than remonstrate against the transaction. There is no reason, indeed, to believe that the colonies will commit such an offence or error. They are influenced by the British feeling of commercial integrity, and they are wise enough to know that repudiation is suicidal, a small gain and a great loss. But it is worth while to remember that those commercial and civilised communities only have been tempted to commit this enormity who have possessed some of the functions of legislative independence, but have not felt the obligations of political responsibility.

The most powerful argument, however, in favour of colonial dependence is that which considers the colonies as the advantageous outlet for a redundant population. A few years ago, this view was urged with his customary perspicuity and force by Mr. Merivale. If such an advocate failed to make out his case, it may be inferred that plausible as the opinion is, it has no solid foundation in fact. The position is that the population of the United Kingdom is redundant, and that the colonies are an outlet for the excess. The first statement is doubtful, the second is unwarranted by facts.

At the present time, there is no reason to believe that the population of the United Kingdom is redundant. There is reason to believe that for a long time such a

redundancy will not occur. It is probable that no such excess would have been alleged were it not for the crowding in certain callings. It is manifest that no emigration would relieve the excess in those callings.

I hear on all sides of a dearth of labour. The manufacturing districts are ready to take a vast accession of hands. English industry, thanks particularly to the folly of other countries in adopting protective tariffs, and thereby shutting themselves deliberately out of foreign markets, was never more brisk. The activity is not local but general. If, as seems likely, artisans should succeed generally in reducing the hours of labour, and the employers in order to save themselves from a loss of profit consequent on the stoppage of their machinery, should adopt the system of working by relays, the demand for manual labour will be greatly increased. Similarly farm labour, at least during harvest time, has been in unexampled demand. During the present year (1871), it is said that double the ordinary rates were claimed and paid for reaping and binding corn. It is possible that hereafter the agricultural labourer, partly by a real rise in his wages, partly by the competition of manufacturing demand, will be able to fix, instead of accepting the rate which the farmer will be willing to pay.

I have stated that there is a normal excess in certain callings. Professional avocations are overcrowded, especially in the lower branches of professional life. There is probably an increasing number of younger sons, and of the sons of younger sons, who are on the look-out for the means of life. But we are told with reiterated emphasis, that there is no field for such people in the colonies. It is said that there are more impoverished persons of gentle birth and fair education in the colonies than in the home country. We are told, over and over again, that no person who is not possessed of capital, and who is not an agricultural labourer, can hope to prosper in Australasia. This statement is probably true, for there is a good reason why such persons cannot get on. Even the small capitalist, who is not a labourer, is worse off in the colonies than a mere

labourer is, far worse off than he would be in the United States. There is a reason for this also.

If population be excessive — and a general excess of population is almost as great an absurdity as a general over-production—it could only be relieved by an emigration *en bloc*. It is no relief to a country to carry off the handiest labourers, and to leave the weak, the thriftless, the stupid, the shiftless behind. When the Romans founded a colony in order to relieve themselves, they took the scions of all ranks and classes, under the sanction of a public vow, which dedicated all the offspring of a given year to the new colony. It is in this way only that the general or national measure of colonisation, of which Mr. Mill approves, could be operative or useful. I need hardly say that no free British colony would accept such a gift, if it were offered in its entirety. The British Government has disabled itself from making the experiment.

But the free colonies are not particularly willing even to take a selection. There are other reasons, apart from the proximity of the United States to Great Britain, to account for the fact that the number of emigrants to the Union is overwhelmingly in excess of all the emigrants to the British colonies. Even of those who land in Canada, no small number finally halt in the United States.

Mr. Gibbon Wakefield had a plan of systematic colonisation. This eminent person believed that a colony whose growth was regulated would have a safer and more certain future than one which was developed under unregulated impulses. He wished to create towns, to sustain manufactures, and to prevent the squandering of a scanty population over a wide extent of territory. In pursuance of this theory, his plan of selling colonial lands at a high price, and devoting the proceeds to assisted emigration, was adopted. It was imagined that the colonial capitalist would gladly acquiesce in the payment of a considerable sum for the land which he occupied, if he could secure himself a constant supply of labour at reasonable wages. The scheme, violently

attacked at the time by the late Mr. Macculloch, broke down under the accident of the gold discoveries, and was finally repudiated by the influence which the labour classes obtained in parliamentary elections.

At best the system could suit only an agricultural society. It was a project for obtaining cheap labour, at the expense of one class in the community—that, namely, which purchased and occupied land for cultivation. There was no security that the persons, whose emigration was assisted by the machinery of Mr. Gibbon Wakefield's scheme, would be the contented servants of the capitalists who had advanced the funds for their emigration. They might hire themselves to employers whose contribution to the emigration fund was small. They might, unless they were perfectly destitute of capital, speedily become small proprietors themselves. When the gold discoveries were announced, they all trooped to the gold-fields, and the capitalist farmers found that that they had been aiding the introduction of persons into the country who would be of no service to them in their business.

Besides, the working classes had no wish to see public funds devoted towards the process of cheapening labour. Where shopkeepers believe that the trade of a town is not more than sufficient to provide a living for the existing number of tradesmen, they do not look with very friendly eyes on new-comers. To do them justice, the working classes in this and in other countries have too strong a sense of the common interests of their order to show any hostility to new hands, unless such hands are introduced in order to arrest the process by which workmen are aiming at higher wages. But though they are content to put no hindrance on the natural or spontaneous distribution of labour, they are no way disposed to assist the artificial distribution of labour, or to accept a scheme of government which has for its obvious purpose the cheapening of the labour which they offer. Were it not for the almost superstitious reverence which all Americans entertain for their written Constitution, there are many citizens of the United

States who would gladly check the flood of emigration which is poured annually on the Union. The Americans often speak with some bitterness of the effects which this immigration produces on the labour market, and console themselves with the facts that after all it adds to the growth of the Union, and is certain to be less operative in future, as it annually bears a diminishing per-centage to the quantity of native-born labour.

Even, however, if the colonists are willing to receive all the emigrants who might leave this and other countries; if they put no obstacle in the way of a general measure of government emigration, which should embrace all ranks and classes of life, from the prince to the beggar and the pauper; if they should not demur to admitting all the peculiarities of modern English civilisation and society, if there were any real excess of the industrial population in the United Kingdom, it does not follow that colonisation on a large scale would be a boon to the colony, or a relief to the home country. It is more probable that it would be as disastrous an experiment as that of Mr. Feargus O'Connor, who transplanted a number of shoemakers and similar artisans from Northampton to Minster Lovel, and attempted to make an agricultural colony out of men who hardly knew a turnip from a carrot, and were as certainly destitute of agricultural knowledge, though for a different reason, as a tribe of Red Indians is.

In a country which, like our own, is anxiously busied with manufacturing industry, and which seeks to maintain the superiority which it has obtained, the tendency is always towards a greater division of employments, in order that the greatest efficiency and the greatest economy of labour may be obtained. He is the best artisan, engineer, or operative who can do one thing only, but can do it with the greatest speed and the greatest excellence. In England, therefore, men aim at the concentration of labour on a single object or the part of an object.

In the colonies precisely the reverse rule prevails. He is the most useful colonist who is the handiest; who can do a large number of things; who can distribute his labour over different objects. To take factory hands to the Cape or to Australia, is to take them to a far worse market for their labour than they can find at home, and to a country where they, having been familiarised with a peculiar atmosphere and to special occupations, would find themselves exposed to a climate with which they are unfamiliar, and called upon to perform a number of operations for which they are absolutely unfitted. We are constantly informed that in the Australian colonies there is an excess of those artisans whose abilities are very versatile, as, for example, the smith, the bricklayer, and the carpenter. The emigration of factory operatives or machinist smiths would be as unwise as the emigration of clerks and other educated persons to the colonies is found to be. There is no work of their own for them to do. Society is not yet complex enough, not yet sufficiently organised, to find them employment.

The colonists receive good farm hands gladly. But there is no artisan who plies so many crafts as a first-class agricultural labourer does. Only those who have learned the art themselves are aware of the skill needed in order to draw a straight furrow of uniform depth. It is no slight feat to build a rick solidly and well. A farm labourer who knows his work is as conversant with animals, with the best mode of tending them, with their complaints and the common cures for them, and often in his way is as well acquainted with the qualities of land, with the manures it will bear, the crops it will produce, and the general preparation which it needs, as the farmer himself is. He can shear a sheep, trim a hedge, make a ditch, and do many other such operations. He often knows not a little of the rough work of the smith and the carpenter; can build a wall, and can run up a hovel. He is skilled in the mysteries of the farm-yard, the poultry-pen, and the piggery. It is not unlikely that he can trap wild animals, and is deterred from being a successful poacher because he does not want to forfeit

his character. There are few farm hands who do not possess a number of crafts, each of which is of great value in a new country.

I am often told that the modern British farmer, *i.e.*, the capitalist manager of a considerable estate, who knows the details of his business in theory, and sets other hands to do what his own hands cannot effect, finds it difficult to make his way in a new colony, such as New Zealand or Australia. I can well believe it, for successful farming in such countries needs labour more than management. I can readily give credence to what I have often heard, that a thrifty farm labourer who begins with a small farm or with a few sheep will often, after a few years, outstrip in the race for wealth the man who came to the colony with a fair capital and a great amount of theoretical knowledge, and who imagines that he can prosecute agriculture successfully on the same principles as those with which he has been made familiar in the old country.

It is not difficult to see, then, that the colony can find room for only a select number of emigrants, and that it welcomes those whom the United Kingdom can least afford to lose, *i.e.*, good farm hands. The facts too which have been alleged explain why it is that the intending emigrant generally prefers the American Union to Australia, and even to the Canadian Dominion. Canada is even nearer to Great Britain than the American Republic is; but the Union has provided the machinery for assimilating immigrants, and facilitates their settlement. Under the Homestead Act, the small capitalist can readily become a farmer. The factory hand and the artisan who may for a time, or under the pressure of exceptional circumstances, find themselves out of employment in the old country, discover the place in which they can find employment similar to that which they have been trained to at home. They could find it more abundantly were it not that the American manufacturers exacted a protective tariff as the price of their allegiance to the Union ten years ago, have thereupon destroyed their foreign trade, and put their

home customer to great and serious inconvenience. Were it not for this fatal act of selfish and suicidal folly, the Pennsylvanian coal-fields would rapidly become the greatest manufacturing region in the world, and would attract skilled artisans as freely as the Western States do agriculturists. Here, again, the best protection which British industry obtains is the false protective sytem of other countries, which might become formidable rivals of our own manufactures, if it were not that they stupidly shut themselves out from the use of those natural advantages which they possess.

There is, I may mention, one way in which the British colonies, and especially Canada, can to their own profit assist the home country in the solution of a grave economical difficulty. I allude to what may be called the hereditary pauperism of this country. Naturally as those who spontaneously emigrate are the hardiest, the most enterprising, and the most energetic of the people from whom they go away, so a country, many of whose people emigrate, is always retaining an increasing number of deteriorated and inferior stocks. It is possible that the growth of insanity and imbecility in the United Kingdom may be partially, at least, explained by these causes. It is, I am persuaded, certain that part of its pauperism may be thus accounted for.

Now there are no means by which, except to a very limited extent, adult pauperism may be dealt with by any systematic emigration. It must be allowed that there is no great amount of able-bodied pauperism in England, so far, at least, as we can learn from statistics of the able-bodied paupers in workhouses, for we have little or no information as to the quantity of out-door relief afforded to this class of the destitute poor. But it is possible to arrange with the colonies to receive orphan and deserted, perhaps even destitute children, whose parents cannot or will not maintain them. At present the law does not allow the guardians of the poor to determine the career of such pauper children whose parents are alive, without the consent of the parent. I cannot, for my part, see how those who neglect parental

duties can be understood to retain parental rights; and I confess to thinking that it would be a wholesome reform in our Poor Law system if the guardians of the poor, subject, of course, to the assent or sanction of the Poor Law Board, had a discretion in determining the calling of the child whom the ratepayers are constrained to permanently support, and in settling the place where such a child should get its living.

The colonies present an admirable field for the emigration of such children. It would be an excellent thing for the child, who would thus be removed from the stigma which attaches to his birth and bringing up, and who is therefore constantly within the risk of being drawn back into the class of hereditary paupers. All guardians who, like myself, have experience in the working of industrial pauper schools in the south of England, know that this risk is not slight. This system of emigration would give a fresh career for the child, under the most favourable circumstances, and would do much towards meeting the charge which has been fairly made against pauper schools, that they offer a direct premium on vice and improvidence. It would be an excellent thing for the ratepayers, who would thus be able to grapple with the most puzzling part of the evil for which they have to find a remedy, and would, at a small original cost, relieve the district out of which these children are gathered from the certainty that many of them would be thrown on their hands again as adult paupers. It would be advantageous to the colony, because these children would emigrate at a time when their labour begins to be of value, but when, through the tenderness of their age, they would not be able, as is the case with adults, to exercise their own discretion in finding employment. The process would, in short, act as a voluntary apprenticeship for a limited time.

Assuming that the emigrants received by the colonies and the American Union are sufficiently useful for various kinds of industry, or, in economical language, produce more wealth than they consume, the emigration of such persons is a contribution to the resources of the

country which receives them, which closely resembles, in its effects, a vast tribute. I am sure that every person who leaves the United Kingdom and Germany for Canada and the Union, and who has reached fourteen years of age, represents an outlay of £100 sterling, and that those who have arrived at full working age are virtually investments of capital to at least £200. Labour in demand is every whit as much wealth as goods, machinery, and stock are, and when it is engaged in industry is just as much capital. It is, I think, therefore no exaggeration to say that the Old World contributes to the American Union wealth which cannot be reckoned at less than from £40,000,000 to £45,000,000 annually. It is no wonder that a country which receives yearly such a vast accession of wealth from other countries, without labour or outlay of its own, should be able, despite its execrable financial system, to solve the most astonishing financial problem which the modern world has seen, in the unexampled rapidity with which it is extinguishing the largest debt which any country has ever created in so short a time. Modern wars are too costly to be lengthy. There is no country in the world, however wealthy it is, which could carry on a conflict on so large a scale, as that of the American four years' war.

In a minor degree, but still to a notable degree, the free colonies of this kingdom have had their share of this immigrant wealth. The colonist retaliates for these benefits by a protective tariff, and such a tariff is virtually an act of hostility. It limits intercourse, and it inflicts an injury. It is only in the comparative infancy of civilisation, and during the prevalence of ignorance on the real scope and bearing of economical laws, that the hostility of such a system is not instantly recognised. The object of a war is to impoverish a rival nation. It is an accident of war that it destroys life in order to attain this end. Capitulation is as much defeat as a lost battle is. A custom house which prohibits intercourse is just as much a blockade as a fleet patrolling a coast or occupying the mouth of a harbour is. A protective system

differs in form only, not in fact, from any other belligerent act. It is even more mischievous in its effects, for it is continuous instead of being transitory, and therefore develops permanent interests, the settlement of which is always difficult, because it seems unjust to disturb that which law has sanctioned. The time will assuredly come, when future generations will be amazed that their forefathers sacrificed themselves to the delusion that the public good was furthered by allowing particular persons to levy a loss on the whole nation by the machinery of a protective tariff.

These tariffs are justified on grounds of revenue. The answer to this statement is obvious. If they are imposed for this motive, duties on foreign goods should be accompanied by excises on the same goods when produced at home. If the Legislature of South Australia levies 25 per cent. on British hardwares, and puts the same excise on the Australian manufacturer, the tax, though financially mischievous, may be defended on the ground that a revenue must be raised. But if no such excise is levied, the duty is protective and hostile. And if it is hostile to the home country, it is mischievous to the colony. In a new country, it is of the highest importance to get manufactured goods as cheaply as possible. They must be more costly than they are in the place where they are made, for there are the cost of carriage and the uncertainty of the market to be taken into account by the merchant importer. To enhance the price of these articles is only to lower the value of money and produce, or in other words to diminish the purchasing power of labour, to lower the amount of real wages.

When pressed by such reasonings, the colonist retorts by saying that the British Government, notwithstanding its protestations in favour of free trade, collects duties on tea, coffee, sugar, alcoholic liquors, and tobacco. But he forgets that the duties are not levied upon trade, but on consumption; and that they are levied equally on all these products whatever be their origin. The produce of the London distiller pays almost exactly the

same duty that the produce of the French distiller does. If sugar, tea, and tobacco were grown in the United Kingdom, the growers of this produce would pay precisely the same duties that these products pay on importation and consumption. If our colonists adopted this policy, we might criticise the details of their finance, but we could find no fault with its bearing on the industry of the home country.

A passage in Mr. Mill's "Political Economy," which, by the way, is in substance nearly the same as a passage in Adam Smith's "Wealth of Nations," has been cited constantly by American and colonial protectionists, as a sufficient justification of their tariffs. It is to the effect that new countries can properly allow a limited and temporary protection to some branch of industry, for which the country is peculiarly fitted, in order to start the industry in question. The statement is an error, even though it is uttered under the authority of two eminent names: it is a mischievous error, because it has received such a sanction.

Every manufacture of every country has a natural protection; for the foreign produce which is brought into competition with it is loaded by the cost of carriage, and by the difficulty of anticipating and interpreting the demand of the market. If the produce is cheap in proportion to its bulk, the natural protection becomes prohibitive. If the country is peculiarly fitted for some special industry, the same, or nearly the same, result ensues. No one would think of sending English bricks to the Antipodes, or of entering into rivalry with Australian wool. The fancy that the abandonment of protection would limit a new settlement to the practice of a few industries, is in direct contradiction to the facts, unless it be held desirable to foster sickly and unremunerative occupations.

It may produce this effect. All new settlements suffer from a deficiency of capital. This is plain from the high price of money which always characterises their trade, from the high rate of profit, and from the great cost of labour. If the industry is in itself profitable

under these circumstances, the protection is superfluous, for the industry will be practised apart from the factitious incentive. If it be not, it is plain that the protective regulation forces capital, in proportion to the success which the expedient achieves, from a more to a less productive undertaking, and thus wastes capital, heightens price, and inflicts a loss on the whole community. But it is needless to pursue this subject further. The refutation of the protective theory belongs to the rudiments of economic science, and can never be doubtful, unless the real issue be evaded by appeals to a spurious patriotism, or to a self-interested prejudice.

The effect of protection on foreign trade is more obscure. If it is so exaggerated as to amount to prohibition, there is an end of the matter. The country which has adopted it has reduced its purchasing power of manufactured goods to a minimum, and must needs pay whatever the demands of the home consumer enable the producer to extort from his customer's necessities. In practice, however, no country, unless it resolutely forbids other countries to trade with it, as is said to have been the policy of Japan, absolutely refuses to sell or buy of foreigners. All that it does is to limit the number of articles in which it will buy, though, for obvious reasons of domestic interest, it seldom puts export duties on that which it sells. Now the effect of this limitation on its purchases is twofold. The foreign manufacturer is injured, because his market is curtailed. This fact was pointed out a year ago by the anonymous author of some singularly clear and able letters which appeared in the *Manchester Examiner and Times*, and which were reprinted by the Committee of the Cobden Club. But the home producer in a country which adopts protection is still more injured. His goods need no protection, or they would not be purchased. But as he is able to buy only in a limited number of articles, he is placed as a seller at a disadvantage. If the policy of the country in which he lives were to go so far as to adopt the old theory of our Plantagenet sovereigns, and allow him to sell for

gold only, he would be obliged to offer the largest amount of goods in order to get gold, and be constrained to see that which he purchased at so heavy a sacrifice depreciated at home, by the fact of its being artificially undervalued, when it is made the sole factor in international exchange.

"The rulers of Great Britain have, for more than a century past, amused the people with the imagination that they possessed a great empire on the west side of the Atlantic. This empire, however, has hitherto existed in imagination only. It has hitherto been, not an empire, but the project of an empire."

A century ago, Adam Smith completed his great work, in which the words quoted above form part of the concluding paragraph. He had been at the pains to point out what was the real meaning of that colonial policy which, to the minds of an existing generation of English statesmen, justified the retention of the colonies, and was of such unquestionable public advantage as to counterbalance the enormous cost at which those colonies were acquired and defended. The nation, after having engaged in the Seven Years' War with the purpose of securing to itself the two empires of North America and India, and having thoroughly succeeded in its efforts, attempted, in the exercise of these imperial rights, to levy a tax on those colonies in the acquisition and defence of which it had doubled its debt. The result of this attempt was the declaration of American Independence, and the great war with the plantations. Smith argued that the colonies might justly be called on to contribute to the defence of the Empire, and suggested that they might be very properly admitted to representation in the Imperial Parliament. Such a suggestion fell on unwilling ears. To admit the colonists to a seat in the Legislature would have lowered the value of the rotten boroughs, which had become the vested interests of the great peers and other landowners. It would have depreciated the value of those other boroughs which were not in the patronage

of private individuals, but were held by a close body of electors, who sold themselves to ambitious nabobs.

A century after Adam Smith wrote these words, the same criticism might be applied to the relations between Great Britain and her free colonies. The rulers and statesmen of this country are still amusing the people with the imagination that they possess a great empire, not only on the other side of the Atlantic, but on all parts of the globe. Upon this empire we are told the sun never sets. Hitherto, it may be said with truth, that on this empire the taxpayers of the United Kingdom have never ceased to rain British money. But it is an empire which exists in imagination only. It is not an empire, but the project of an empire. The case is even stronger than it was in Smith's days. The theory which was alleged in defence of the colonial system of the eighteenth century is scouted in the nineteenth. Our grandfathers believed that there were certain solid commercial advantages in the colonial policy which they adopted and maintained. No well-informed Englishman believes that the restrictions of the colonial system were advantageous to the English people. If he did believe them, he would still be forced to admit that the restrictions have been irrevocably abandoned. The colonists have been allowed an absolute discretion in the management of their domestic affairs. They extorted their liberties by the threat of rebellion; in one case by rebellion itself. But no statesman has ever yet attempted to turn the project of an empire into a reality, to give stability to the loose and uncemented structure which we call the colonial empire.

Such a labour as that which would establish a true federation between the United Kingdom and her colonies would be worthy of a statesman. It would be undertaken if the British Parliament were less a chamber in which peddling interests are discussed and settled by compromise, and more a senate where great questions of policy were debated and determined. It is true that this Parliament has lately settled two of

these questions on the broad ground of public right. But it has settled two only, and these two only in a district of the United Kingdom. It has not ventured on considering that to be a wise policy on the east of the Irish Sea, which it has carried into effect westwards. Its next great measure, that of national education, was a compromise, which is beginning to bear its fruit in polemical rancour and distrust.

The project of according to the colonists a share in imperial representation has been often ventilated. There is no difficulty in carrying out the project, because the colony is so distant from the seat of government. In the days of Adam Smith, a journey from the north of Scotland was almost as lengthy as one from the Antipodes would be now. For the six years during which the great economist was a student at Oxford, he never went back to his native town in Fifeshire for the long vacation. But the improvement in the means of transit from place to place is not the only difference between our day and the condition of the civilised world a century ago. Science has provided a means of communication between distant regions which is almost instantaneous. Before long, an Australian might make his speech in the British Parliament, and be reported in the papers of his province nearly as soon as he could be in Dundee or Dublin. In a few years, the news of the world will be almost simultaneously distributed in every place where news are published.

Even, however, if it were possible to overcome the strangeness of colonial representation in the Imperial Parliament, grave difficulties would arise, so grave as to make the project seem impracticable. The British Parliament is already of unwieldy bulk. The House of Commons contains three times as many members as it ought to have, if its efficiency were the chief question considered in its constitution. To add colonial representatives would be to increase its bulk and its unmanageableness. Now one among the inconveniences which arise from the great numbers of the House of Commons is that special interests which deserve con-

sideration are swamped and neglected, or get a hearing only by some intrigue or combination. The Indian budget is generally propounded to empty benches. Scotch business, we are told, is managed by a coterie. A great colonial question is debated before a languid and ignorant audience. But the question whether a railway shall be allowed to partake of the coal trade at present possessed by certain other railways collects a full house, awakens the profoundest interest, and provokes extraordinary zeal. It is probable that colonial representatives would generally speak within the imminent risk of a count-out.

If, however, the House of Commons were reduced in numbers, and were strenuous in the conduct of a higher policy, the introduction of colonial representatives would induce great difficulties. It would necessitate the adoption of the principle of numerical representation. Birmingham, Manchester, Liverpool, Glasgow are patient under the disproportionate figure which they contribute to the parliamentary total, because the voice of a representative from Glasgow is a little more important than that of a member for Rye or Calne. The city is present to the imagination of the House, even though its numerical force is not expressed. But the case would be different with the towns of a remote colony, such as Sydney, Montreal, or Auckland. They would not be similarly present. Some members might even be ignorant of their locality.

The tendency, moreover, of modern political action is rather towards decentralisation, towards transferring local legislation to local legislatures. It is probable that before long not a little of the business of the House of Commons will be transacted by provincial boards. It is certain that no introduction of colonial representatives into the British House of Commons could supersede the necessity of colonial assemblies.

But if the colonial representative were introduced to the House, he would enter on an atmosphere of debate which would be not only strange but singularly uninteresting to him. He would find that matters were

discussed there on which he has long since made up his mind, or on which he never would have to make up his mind at home, and he would be struck with the intense enthusiasm which these matters excite among his fellow-members from the old country. He has no Church Establishment, but here he would find that the highest education of the country was only partially wrested from the control of the Establishment, and that primary education was granted with the most ample reservations in favour of the State Church. He knows nothing of an hereditary aristocracy; here he would see the laws by which land is tied up in favour of this aristocracy watched with the most jealous care, while the charges on its conveyance amount to heavy penalties on trade. He has been accustomed to look on an excess of wild animals as a nuisance, which it is patriotic to check; here he is taught that the preservation of these creatures is a high privilege, the slaughter of them a misdemeanour or crime. His instincts have led him to see that the growth of a hardy and prosperous peasantry is the best prospect which his country has in the future; here he learns that whole districts have been depopulated, in order that idle nobles and wearied merchants may refresh themselves with sport. At home he is acquainted with equality; here he meets privilege at every turn. There is nothing, I imagine, which would strike a colonial representative with greater novelty than that familiar and universal notice of English social life, "Trespassers will be Prosecuted." He comes from a country of principles, rough, to be sure, and frequently false, and he would find himself in a region of compromises, all of which would be unintelligible and unintelligent to him, some of which would appear absolutely immoral. Before the colonies could be represented in the British Parliament, the social life of Great Britain would have to be remodelled, or that of the colonies tutored into a resemblance to that of the old country. The former of these alternatives is difficult; the latter, fortunately, is impossible.

If, therefore, a system of representation in the British Parliament is impracticable as a means of union between

the United Kingdom and the free colonies, what remedy can be found against the disintegration of so loose a connection as that which subsists between the two political bodies? I hold that a total severance of those colonies from the old country would be a misfortune, just as I hold that the severance of the American Union, with its continuous estrangements, has been a misfortune; for there is no enmity like that of brethren, especially when one of the brethren affects the airs of an elder son. The invitation to secede, so freely tendered to the colonists, is in my opinion inexpedient, as well as uncivil. It would be much wiser to tell them that we do wish to keep them, not only in amity, but in alliance, but that in treating on the terms of the alliance, we and they must act with equal independence. And first of all we must abandon the metaphor which affects to consider them as healthy and precocious children, the old country as a wealthy and indulgent parent. We must discourage the habit of patronage, a vulgarity which rank is apt to indulge in, and servility to encourage. We must see, however much we may tolerate or endure our own institutions, that they are the productions of an historical epoch which civilisation can never allow to reappear, and which therefore cannot in any shape be transplanted to the colonies. It is to be regretted that we have created colonial baronets, and have stimulated by an order of colonial knighthood that despicable passion for certified social rank which is so serious a bane in the Old World. A real federation between the United Kingdom and her colonies will never be strengthened by the gift of a few bits of parti-coloured ribbon to colonial politicians. A statesman is insensible to these miserable motives.

A true alliance between the colonies of the English Union will have for its first object the development of the closest amity with that of America. Nothing but aristocratic prejudice and fear has ever induced unfriendliness between Great Britain and her greatest settlement. Every dispute between the governments of the two countries has hitherto been embittered by the suspicion

that the privileged classes of Great Britain have a natural and inveterate antipathy to American institutions. Even now, whenever the aristocratic press of this country can malign or misrepresent those institutions, it clutches eagerly at the chance. Many of my readers can remember the spiteful pleasure with which the agony of the United States was watched during the crisis of the Civil War by a section of the London papers, how faithfully the special correspondent carried out his instructions, and how steadily the great American President was vilified and misrepresented. Eminent English politicians of liberal views or liberal leanings compromised themselves. It is a matter of congratulation that they have at last agreed to arbitrate upon those grievances which they once considered so slight, and it is gratifying to discover that everybody is pleased with a negotiation which a few years ago many persons believed to be unnecessary. But it would be an error to imagine that were a similar occasion to arise, the precedent of the Alabama Commission would check aristocratic antipathies to the American Union. The real obstacle to a thorough understanding between ourselves and the Republic lies in the radical difference between our social system and theirs. If they were assimilated, no possible difficulty could arise between us and them.

It is to be hoped, however, that these social peculiarities of English life will, as time goes on, and the new balance of the British constitution is adjusted, have less and less influence on our public policy, least of all on that part of it which is busied with our foreign relations. We have never met our remoter German kinsfolk in anger. We have, unhappily, been twice at war with America within a century, and have been constantly at variance with the Union. A better understanding with that Republic would silence those political adventurers who try to make capital out of grievances between America and England; would restrain those Canadian politicians who trade on petty border jealousies, and teach the American Irishry that Fenian raids are dangerous as well as foolish.

The alliance of the United Kingdom with her free colonies, who must in the future occupy a position towards the old country which is as independent as that of the American Union, is and will be greatly assisted by the fact that the English nation is gradually abstaining from any intervention in Continental politics. This alteration in the public policy of Great Britain is due to three causes. We are beginning to understand that a policy of intervention defeats its own ends; that it fails to secure the objects which it proposes, and increases the difficulties which it attempts to solve. For five centuries England attempted to check the dominant influence of France. Over and over again England has been victorious, and as frequently has she failed to effect her ultimate object. At last, France has of her own accord utterly wrecked her military prestige, and is permanently disabled from uttering that arrogant menace, that when she is satisfied Europe is at peace. For once in the world's history a great Continental war has occurred, and this country has held aloof from all share in it. The precedent is satisfactory and conclusive.

Again, we have seen that a nation possessing, like ourselves, a natural fortress which is easily defensible by a competent navy and a moderate army, is, from the very causes which give it security, debarred from taking any overwhelming or even notable part in foreign war. The cost of aggression, which is another word for a "spirited foreign policy," is enormous, but the difficulties of aggression are even greater. It would not be easy for this country to cope single-handed with any Continental nation whom it might deem necessary to attack. It is practicable to resist the assault of all foreign nations with the resources at the disposal of the country. A policy of intervention therefore, the cost of which would be enormous, the success of which would be doubtful, is getting to be more and more discredited among intelligent politicians. I do not say that it is impossible for Great Britain to give effect, by her assistance, to whatever decision the public conscience of the civilised world declares to be a matter of international right, or to take

her part in what may be called a system of international police. On the contrary, it may be the duty of this country, at some future time, to take a very active part in the councils of the civilised world. But as yet no such council has been called, and diplomacy only forms a substitute for debate on the general good of civilised society.

And lastly, the balance of power has changed its centre. In a few generations, new peoples, rivalling those of Europe in numbers, and transcending them in opulence, will have reached their maturity. Europe will cease to be the arbiter of the world's destinies, because civilisation will have made wider conquests than the home from which it has extended itself. The theory of the balance of power was adopted in order to form a force which should resist schemes of universal empire. These schemes were originated for dynastic purposes. But at present, a dynasty is only a means to an end, and is tolerated only because it serves a temporary purpose. That man must have lived in nothing but the past who believes that autocratic institutions have a permanent hold on modern society, and he must be utterly ignorant of the tendencies of modern thought and action, if he thinks that nations will hereafter make war in order to gain subjects for a despotic king.

That system of international councils which shall discuss the general good of all those whom political science affirms to have common interests, whatever may be the accidental difference in their form of government, should have its initiative in a close alliance between Great Britain, the American Union, and the free colonies of this country. It should commence by according without difficulty to those citizens of these countries who may change their residence from one of these independent communities to another, civil rights as full as those which an Englishman enjoys in Scotland or Ireland. It should affirm that all those persons who belong to any of these countries have a common nationality, and should have a common commercial law, a common currency, a common postal system. It should make the intercourse

between all these communities as free and as easy as possible. It should be an invariable maxim in all the relations between these communities that they have common interests, the adjustment of which might be discussed, but the settlement of which should be a thing of course. It should be understood that a quarrel between these communities is impossible, because it would be a certain detriment to those who might commit such a folly and barbarism. The administrations of each country should confine themselves to those municipal considerations which are the proper functions of government, and if they have a policy towards communities of their own race, should only busy themselves with effecting the freest and fullest intercourse among the several communities whose affairs they undertake. If at some future time these relations or such as these are developed and sustained between the English-speaking races, so as to make them as nearly as possible one people, which can have no quarrel because it has one purpose, civilisation will progress with unchecked rapidity, and though the United Kingdom may forego an empire, by becoming the oldest member of a great alliance, this country will give a reality to her boast, that she is the mother of free institutions and of free nations throughout the world.

THE RECENT FINANCIAL, INDUSTRIAL, AND COMMERCIAL EXPERIENCES OF THE UNITED STATES.

A CURIOUS CHAPTER IN POLITICO-ECONOMIC HISTORY.

By David A. Wells, LL.D.

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If it be an axiom in political and social, as well as in physical and natural science, that the first essential for progress consists in the correct observation and record of phenomena, whereby old laws or principles may be verified or extended, and new ones discovered, it would be difficult to imagine a field more fruitful for investigation and more promising of reward, than the history of the recent financial, industrial, and commercial experiences of the United States—experiences which have truly the character of vast social and political experiments, made on a scale of magnitude rarely, if ever, before equalled; for the most part empirically tentative in character, and affecting in their results, not only the growth, the income, and the industrial pursuits of the nation directly and immediately concerned, but also in a greater or less degree the trade and commerce of the whole civilised world.

It is proposed to briefly relate the history of these experiences—especially in their relation to prices, taxation, industrial development, and international commercial relations.

ECONOMIC AND FINANCIAL CONDITION OF THE UNITED STATES PREVIOUS TO 1861.

Previous to the breaking out of the Civil War in 1861, the United States were in the anomalous position of a great nation practically unencumbered with a national or public debt. Excise, stamp, income, and direct property taxes under the Federal Government were *absolutely* unknown; the expenses of a simple and economical administration being defrayed almost entirely by indirect taxes, levied in the form of a tariff on the importation of foreign goods and merchandise. In fact, the only other noticeable source of national revenue was the sale of the public lands, which at the maximum price fixed by law, of one dollar and a quarter per acre, returned to the Treasury an average income of from one to three millions of dollars per annum; rising, however, in a few instances, during periods of wild speculation, to six, eight, fourteen, and in one exceptional year (1836) to even twenty-four millions of dollars. The average rate of duties imposed on the *aggregate* value of foreign importations during the thirty years immediately preceding 1860 was about 20 per cent.; but for a portion of the time the annual rate was much less, and for a number of years—1858 to 1861 inclusive—it was not in excess of 15 per cent.

But, notwithstanding this limitation of the sources and amount of income, the requirements of the National Government for military, naval, and civil expenditures, and the payment of the principal and interest of any debt, were so moderate, that the receipts of the Treasury continually tended to exceed its disbursements; and the difficulty which most frequently presented itself to the financial administrators was, not the customary one of how to avoid an annual deficit, but rather how to manage to escape an inconvenient and indispensable surplus. And it is a curious fact, and one perhaps altogether unprecedented in history, that, from the year 1837 to 1857, there was not a single fiscal year in

which the unexpended balance in the National Treasury—derived from various sources—at the end of the year was not in excess of one-half of the total expenditure of the preceding year; while in not a few years the unexpended balance was absolutely greater than the sum of the entire expenditure of the twelve months preceding.

To provide for the use, or rather to get rid of this continually accruing surplus, various plans were from time to time suggested or adopted. In one instance we find the House of Representatives, on motion of Henry Clay (the leading American statesman of his day), seriously considering the question of the expediency of the National Government becoming, by purchase and investment, a partner in various stock corporations or enterprises; and pending any conclusion, the surplus funds were deposited in the local or small banks, with reiterated injunctions "*to loan liberally to merchants.*" In 1836 the surplus revenue then in the Treasury, amounting to something more than $28,000,000, was divided, by Act of Congress, among the States, and by these latter variously appropriated. Most of the States applied the amount received, either directly or as a perpetual fund, to educational purposes, others used it differently and less wisely; Massachusetts for example, dividing her share proportionally among her towns and cities, where it was expended at the discretion of the local authorities—in one instance, in a small fishing town, for the construction of walks over the sands for the benefit of pedestrians; and in others for the purchase of houses and lands for the use and settlement of the town's poor. And again in 1854, the Treasury of the United States, by reason of its superabundant revenues, entered into the market, and bought, in advance of maturity, its own six per cent. bonds, issued in 1848 to defray the expenses of the war with Mexico, at a coin premium of 20 per cent. in excess of their par value.

It will not, furthermore, at this point be uninteresting, or, we think, regarded as foreign to our subject, to go back, and briefly state the average annual expenditures of the United States for all *ordinary* purposes, from the

commencement of their existence as a nation to the period of the breaking out of the Civil War in 1861. Thus, commencing with an expenditure in 1792—the first accurately reported year under the Constitution—of $1,877,000, the net ordinary expenditures increased to $4,623,000 in 1798; $6,504,000 in 1808; and $13,134,000 in 1820; the expenses rising temporarily during the years of war with Great Britain, 1812-1813, to a much higher figure.

During the decade from 1821 to 1831, the average annual ordinary expenditures of the United States were $12,390,000, or at the rate of $1·07 *per capita* of the whole population.

From 1831 to 1841, $24,740,000, or $1·61 *per capita*.

From 1841 to 1851, $33,760,000, or $1·63 *per capita*.

From 1851 to 1861, $57,870,000, or $2·06 *per capita*.

Or to bring out in still bolder relief the simplicity and economy of the fiscal administration of the United States, previous to the outbreak of the Civil War, it may be stated that the *per capita* charge of the entire expenditure of the National Government, including all payments on account of the principal and interest of any debt, during the most expensive year of the existence of the nation prior to 1861, was $2·84, as compared with a present (1871) annual debt charge alone *per capita* of $2·86; and an annual additional *per capita* charge, from other expenditures, of $4·37.

POPULAR ESTIMATION OF ECONOMIC QUESTIONS.

As might have been expected under such circumstances, fiscal and economic subjects were, during the period under consideration, the ones which least of all obtained the attention of the American people. Few books or essays on such topics were either written or read; while the continually increasing agitation and

interest respecting the existence or extension of negro slavery furnished the never-ending and predominant theme for discussion alike to the press, the politicians, the pulpit, Congress, and the local legislatures. There had been, indeed, fierce discussions and political divisions in 1836-38 respecting the organisation and management of banks, and the establishment and maintenance of a national bank, and in 1840-41 and in 1846 respecting the construction and adjustment of tariffs, and the principles of Free Trade and Protection; but during the decade from 1850 to 1860 all of these questions were generally regarded as old-time issues, and by the generation of men that then had control of the business and government of the country were both ignored and forgotten.

The tariff of 1842, consequent upon a complete change in the political complexion of the administration, was avowedly and deliberately arranged upon the principles of Protection. The tariff of 1846 following a reinstatement of the political party defeated in 1840 was a new departure, and, abandoning the theory of Protection, recognised solely the principle of "taxation for revenue." The repeal of the former, and the adoption of the latter, were opposed mainly on the averment that the Treasury would be thereby deprived of an adequate revenue, and that American manufacturing industry would be ruined by European competition. But experience proved in a most signal manner exactly the reverse, for while the protective tariff of 1840-6, with an average rate upon all dutiable goods of *thirty-three* per cent., yielded an annual revenue of *twenty-six millions* of dollars, the tariff of 1846-57, with an average of *twenty-four and a half* per cent. on dutiable imports, yielded an average annual revenue during the period of its existence of *forty-six millions*.

And so also in respect to the influence of the revenue tariff upon domestic industries exposed to foreign competition; for, notwithstanding that all the conditions upon which the advocates of Protection in the United States based their claims for consideration continued unim-

paired, and in some respects were strengthened—namely, the difference in favour of Europe in respect to wages and interest, and the infantile and tentative condition of many American enterprises—it is nevertheless an indisputable fact that during the low tariff decade, from 1851 to 1860 inclusive, and especially during the last three years of that decade—1858, 1859, and 1860—when the tariff of 1846, by reason of its productiveness of revenue in excess of the wants of the government, had been still further reduced from 24 to an average of from 18 to 20 per cent. on dutiable imports—the minimum rate ever experienced—the comparative growth and progress attained by every department of American trade, commerce, and industry was greater than for any corresponding period, either before or since, in the history of the nation.

It was, for example, in this latter series of years, 1858-1861, that the commercial tonnage of the United States rose, for the first and last time, to upwards of five and a half millions of tons (5,353,868 in 1859-60, and 5,539,813 in 1860-61;—in 1869-70, 4,246,507); that the annual crop of cotton exceeded five millions of bales (5,196,944 bales of 400 lbs. each); that the exports of the products of manufacturing industry reached their maximum in quantity; and when the nation at large purchased and consumed the largest *per capita* quantities of sugar, coffee, and cotton-cloth. During the same decade (1850-1860) the increase of the population of the country was returned at 35·59 per cent., the increase of wealth at 126·4 per cent., and the average of property to each individual at $510. In short, it would be difficult to find a more happy illustration of the influence of the "non-interference" or "non-obstructive" policy of a government with the trade, commerce, and industry of a highly civilised active people, than the condition of the United States at that time afforded. That the country, viewed from a politico-economic stand-point of view, was at this time in all respects what it should have been, is not, however, asserted. The institution of slavery, denying to over

four millions of human beings the freedom of the person, the right to real property, the blessings of education, and antagonistic to all improvements in the culture of the soil and the management of capital, was tolerated and supported by law. The paper and ordinary currency of the nation, neglected by the general government, and issued by local banks under almost as many different systems as there were States in the Union, was as defective as could well be imagined, and often necessitated a rate of exchange between the different sections of the country which was equal to or in excess of the current rates of interest at the principal commercial centres. But notwithstanding these drawbacks, the people in general were highly prosperous. Pauperism, apart from the large cities, was almost unknown; wealth was very equitably distributed; while the opportunities for education were free, and in all the more densely populated portions of the country amply provided. In short, the prosperity of the people was so great, through the utilisation of their great natural resources, their activity, and the continued influx of the population and capital of other countries, that it constituted in itself an obstacle to reform; and the nation at large may be said to have actually preferred to endure the various economic and social evils incident to their situation, rather than devote the time to their consideration, and meet the grave political issues consequent upon their change or reformation. And had not the people of the southern section of the United States, in their madness, appealed to the arbitrament of the sword in the matter of slavery, it cannot be doubted that this institution, with all or many of its abominations, would have outlived the present century.

FINANCIAL CONDITIONS FOLLOWING THE OUTBREAK OF THE CIVIL WAR.

It was now, with such antecedents and under such conditions, that the nation found itself, in the spring

of 1861, suddenly and unexpectedly involved in a gigantic civil war, in which its very existence was threatened, by the uprising of at least a third of its population against the legitimate and regularly constituted authorities, and in opposition to the opinions of a majority in respect to the extension of the system of human slavery.

The most urgent and important requirement of the Federal Government at the outset was money. Men in excess of any immediate necessity volunteered for service in the ranks of the army; but to equip and supply even such as were needed, precipitated an avalanche of expenditure upon the Treasury.

To meet their financial requirements, there was at the outset, on the part of the government, neither money, credit, nor any adequate system of raising money by taxation; the previous reliable supply of revenue from the customs having at the most critical period, through the cessation of imports consequent upon the political disturbances, become almost annihilated. The Federal six per cent. stocks, before eagerly sought for at a premium, declined upon the market to 83, and the five per cents. to 75; while the public debt, which in 1860 was only 64,000,000, had increased by the 1st of July, 1862, to over 500,000,000.

In the outset, the Treasury applied for money to the banks of the three leading commercial cities of the country—New York, Boston, and Philadelphia—and these institutions responded in the most generous and patriotic manner: first with a loan of $50,000,000, and when that was gone with $150,000,000 additional. In fact the banks of the Northern and loyal section of the country loaned nearly their whole capital to the government.

But all this amount, so liberally furnished, was insufficient to meet the demands of the war, and, by Act of Congress, the issue of Treasury notes payable on demand was authorised to the extent of $60,000,000.

In this manner funds were provided for the requirements of the Treasury, until December 31st, 1861, when

the government and the banks alike suspended specie payments.

As has been already stated, the paper money of the country previous to the war had been furnished by the local or State banks; and on what a basis, may be inferred from the circumstance that at the date of the suspension of specie payments, the aggregate of their immediate indebtedness was returned at $459,000,000, while their specie, held with a view of note redemption, was but $87,000,000, or nineteen cents on the dollar.

The Treasury and the banks having suspended, a new state of things was inaugurated. Heretofore the amount of circulating notes issued by the banks had not been in excess of the business requirements of the country, and consequently, so long as the semblance of a redemption was kept up, these same notes did not depreciate, but continued to circulate—at least in their immediate localities—as at par with specie; and after suspension, as the banks, in anticipation of a speedy termination of the war and a resumption of specie payments, contracted their engagements, gold, in spite of the bad credit and doubtful firmness of the country, did not even then advance in comparison with bank currency or paper.

But the Treasury, by reason of its necessities, went on issuing its notes; and it soon becoming evident that no speedy resumption could take place, the banks changed their policy, and increased their issues.

The currency being thus expanded beyond the business requirements of the country, the old-time experience speedily repeated itself, and the premium on the precious metals in comparison with paper rose rapidly and in proportion to the expansion.

In June, 1862, the premium on gold was 2½ per cent.; but by December of the same year the united policy of the Treasury and of the banks, in increasing the paper circulation, had carried the premium up to 33⅓ per cent.*

* The bank circulation of the loyal States on the 1st of January, 1861, amounted to $150,000,000; on the 1st of January, 1862, it had been reduced by contraction to $130,000,000. Eight months afterwards, on the 1st of

The most striking effect of the advance in the premium on the precious metals as compared with the paper currency, noticed in the outset, was the disappearance of the small silver money of the country—the dollar and its fractions—used as the medium for change and small purchases. So sudden, indeed, was this movement, that society everywhere found itself not a little embarrassed in the transaction of its petty business, and resorted to all manner of expedients to remedy this difficulty. Cities and towns issued small notes payable in taxes or lawful money. Individuals, firms, and corporations followed their example, and enlarged the convertibility of these paper issues, by making them exchangeable for commodities, as well as for bank and Treasury money. The substitutes, however, which were eventually and most generally made use of by the public were the government postage stamps; and as an incident of the times, it may be mentioned that a considerable business was at once created by the invention and manufacture of a great variety of receptacles in which stamps of different denominations, to be used as currency, could be loosely and conveniently carried; and to the sale of which street vendors in the large cities for a time especially devoted themselves.

How to overcome the embarrassment arising from this disappearance of the small money of the country, was a matter of no little perplexity to the government; and as an illustration of the utter bewilderment of the Treasury officials, it may be stated that it was gravely proposed, about the time when the national paper had depreciated some thirty-three per cent., to issue the

November, 1862, this same circulation had been increased to $167,000,000. On the 1st of January, 1861, the United States, if we except drafts of disbursing officers, had practically no circulation. On the 1st of November, 1862, its note circulation, including drafts of disbursing officers, was in excess of $200,000,000. To offset this, however, was the withdrawal of the coin in circulation, which was then estimated at $109,000,000; but as the whole amount of fractional currency since issued by the Treasury, and which has virtually discharged the function of the former coin circulation among the people, has never been in excess of $40,000,000, it seems clear that this estimate must have been considerably exaggerated.

former silver coin of the country debased to that extent, and that a Bill authorising the same to be done was actually prepared and introduced into Congress; the idea being, evidently, that the national paper had at that point reached its possible or probable maximum depreciation, or that a period of greater depreciation was, in any event, not likely to continue. The plan finally resorted to was to issue a paper or small note currency, of the denominations and multiples of the postage stamps in use; and when this was done the postage-stamp circulation, and all other issues and tokens, to the great delight of the people, at once disappeared, and the present paper "*fractional currency*" of the government—at first called, from its replacement of the stamps, "postal currency"—became fully established.

The continued and large advance in the premium on gold at the close of the year 1862, however, greatly alarmed the country; and, from its being entirely unprecedented and unexpected, produced a more gloomy feeling of depression than was occasioned by any military reverses either before or subsequently experienced. It was felt at the meeting of Congress in December, 1862, that an important crisis had arrived, and that the financial policy of the government must be changed, or national insolvency would be inevitable.

It is not the design of the writer to attempt to discuss in detail in this essay the policy which was adopted; but, looking back calmly at the history of events, it now seems evident that had the currency of the United States been as reliable at the commencement of the war as was the currency of France in 1870, it might have been kept so without difficulty; and there would of course have been no premium on gold. "The prices of all commodities being then determined by correct standard, the national expenditure would have been lessened; and whatever of depreciation there really was of national credit, would have shown itself in the discount at which the government bonds would have been negotiated."*

* Hon. Amasa Walker.

It would also seem clear, that if the Finance Minister of the time had been fully master of the situation, the one thing which he would have proposed to himself when the large advance in the premium on gold indicated the failure of his previous policy, was to endeavour to reduce the currency and bring back gold to par. But no such policy was favoured or adopted; on the contrary, more paper money was asked for and granted; Treasury notes on interest; Treasury notes without interest; fractional currency of a lesser denomination than a dollar; and, finally, a system of national banks to manufacture and issue more currency.

Nearly all the powers asked for by the Secretary of the Treasury to aid in the procurement of money were freely granted by Congress; but such was the delay in the passage of the requisite Bill, such the continued expansion of the currency, and such the discouraging aspect of military affairs, that gold in March, 1863, was at a premium of sixty-five per cent. The confidence of the country in the financial future and management was, however, in a great measure restored, and manifested itself by a renewed subscription to the six per cent. bonds issued by the Treasury, which amounted for a time to between $2,000,000 and $3,000,000 per day. These sales, moreover, being made from the national paper previously issued (called greenbacks, from the colour of the ink with which their backs were printed), reduced for a time the circulation; and, although the military situation was most unfavourable and alarming, the premium on gold rapidly declined to about forty per cent.; and on the achievement of victories at Vicksburg and Gettysburg, in July, 1863, further fell to 22½ per cent.; thus proving that, with right management, it was entirely practicable to have kept the currency at or very near to par with gold, even though specie redemption was for the time suspended.

And now comes in a chapter of most curious financial experience, and in this wise: the Treasury was receiving all the funds that were needed from the sale of its six per cent. obligations, redeemable absolutely in

twenty years, but at the pleasure of the government in five years (and hence popularly termed "*five-twenties*"); and it seemed only necessary that this method of raising money should be continued to relieve the Treasury from all future financial embarrassments. But the Finance Minister argued that if a six per cent. was freely taken by the people, a five per cent. would be equally acceptable, and that a large saving in interest would be thereby effected. He tried the experiment, but to his disappointment, and at an immense cost to the nation, found that it would not succeed. The people would not subscribe to the five per cent. loan, and the daily subscriptions to the bonds fell off at once from $2,000,000 to $1,000,000. "But this," to use the language of a writer of the time, "was not all, or the worst of the matter; for by issuing the new bonds at five per cent. instead of six, the Secretary virtually depreciated his own currency by the difference; because it required 1·20 in greenbacks to purchase an equal income in interest on five per cent.; which 1·00 would purchase on bonds bearing interest at six. Consequently, the price of gold was thereby raised twenty per cent., and of course the price of all the government must purchase to carry on the war."*

There was but one way, in the opinion of the Secretary, out of the difficulty, namely, to issue more currency, and that way he followed; and under the influence of the expansion thus occasioned the premium on gold mounted still higher, and in June, 1864, rose to 98.

And now came the culminating folly of modern financial legislation—in the passage by Congress, at the instance of the Secretary of the Treasury, of a law prohibiting, under penalty, "*the sale of gold in certain cases;*" meaning thereby the sales at the boards of gold-brokers in New York and other cities for speculative purposes. This measure, so utterly and palpably absurd and indefensible, produced an effect entirely contrary from what was intended; for the comparative price of

* Amasa Walker.

gold advanced more rapidly than ever, and in a very brief time reached the high figure of 285. In fact, while the legislation in question had no effect whatever in restricting dealings in gold as a commodity, it did tend to destroy confidence, by calling off the public, so far as it could, from any open and market standard of value; and speculation in the precious metals, and in all manner of products and securities, became more extensive and absorbing than ever.

In the meantime Congress, becoming alarmed at the result of its own folly, speedily repealed the obnoxious statute; and the premium on gold, under the influence of military successes, gradually receded, and on the 1st of March, 1865, was about 100. The close of the war reduced it still further; and from that time it has gradually fallen with fluctuations, until at the present writing (1871), six and a half years since the termination of the war, it stands at about twelve per cent.

It is interesting to here put upon record the fact, that the amount of currency issued, or authorised to be issued by the Treasury of the United States during the war, or of obligations of indebtedness which admitted of being used in a greater or less degree as currency—such as certificates of indebtedness, gold certificates payable on demand, compound interest notes, fractional currency, Treasury notes without interest, National Bank notes, and the like—amounted to over $1,200,000,000. So large a sum as this was certainly never in actual circulation at any one time; but the amount of currency of every description outstanding in the hands of the people, as late as the year 1868, was estimated by one of the best authorities (Hon. George Walker, of Massachusetts) at $585,000,000, as compared with a total estimated circulation of paper and specie in 1860 of $316,000,000.

Among the absurd theories put forth in justification of this extravagant issue of paper money, was a favourite one—that it was a matter of necessity, in order to make money easy, which in turn was alleged to be a condition precedent for the obtaining of generous subscriptions from the public to the government loans, particularly

the "*five-twenty*" bonds; or, to use the language of the day, it was necessary to make money plenty in order that the bonds should be "floated;" the uppermost idea in the heads of the government officials having been, apparently, that in the floating thus contrived the bonds *alone* would possess the property of buoyancy. But in this they were mistaken. The bonds indeed floated, but everything floated with them; or to borrow the language of a recent American writer, who has been tempted to review the history of this particular period from the ridiculous or humorous point of view: "The bonds were floated, but by just about the same operation as that by which things are floated in the suburbs of a town or city, submerged in a heavy freshet—hen-coops floated, cellars floated, streets floated, barge-houses and out-houses floated, stray children and first-floors floated, all creation flooded and floated together. Very much so it was with the bonds, the market for the five-twenties was made easy; the market for flour, beef, cotton, and military stores, of which the government was compelled to purchase immensely, was made particularly easy. The whole country was put under water then, and has remained so to the present."

Another curious but most costly feature of the financial policy adopted at the very commencement of the war by the then Secretary of the Treasury, was the limitation of the time for which the debt obligations on bonds of the government were to be issued, for the purpose of giving to them a quality which he termed "controllability;" or, in other words, it was seriously put forth as a fundamental principle of finance that the National Treasury should protect itself against the exactions of capitalists and the consequent necessity of paying high rates of interest, by making its bonds liable to be redeemed at par at the option of the government, after a very limited period. The experiment, it need hardly be said, resulted in just the opposite of what was expected, inasmuch as it gave to foreign capitalists the impression that the funded debt of the United States was of a vague and dubious character; and thereby, through the demand

for extra interest, has continued even to the present time to be a measure of great and unnecessary expense, rather than one of economy, to the Treasury.

As a further illustration of the almost inconceivable muddle of ideas that prevailed in the United States during the war, in respect to the national loans and paper money, it may be stated that at the very time when the premium on gold over paper was approximating (or in excess of) 100, the public were gravely congratulated, both in Congress and through the press, that the Treasury had not been forced to the necessity of issuing any of its bonds to subscribers at a price below par, *i.e.*, in currency; and also that a pamphlet was written and extensively circulated by one of the principal fiscal agents of the government, in which the doctrine was set forth and advocated, "that a national debt, made permanent and rightly managed, will be a national blessing," and that "the debt" already contracted "was public wealth;" the language used, and made conspicuous by being printed in capital letters, being as follows: "The funded debt of the United States is, in effect, the addition of three thousand millions to the previously realised wealth of the nation. It is three thousand millions added to its available active capital. To pay this debt would be to extinguish this capital and lose this wealth. To extinguish this capital and lose this wealth would be an inconceivably great national misfortune." *

When Congress met in December, 1862, the war having then been going on for a period of about eight months, the most urgent necessity of the financial situation was the provision of $100,000,000 over and above all other resources, to meet requirement swithin the next three months, and $100,000,000 additional to be made available during the next half-year. To obtain this money within the limited periods specified, two methods

* As this pamphlet, from its quasi-government endorsement, was extensively circulated, and will undoubtedly go down to history as one of the most curious of financial absurdities, it is desirable to state that its author was Samuel Wilkinson, at that time a member of the editorial corps of the *New York Tribune*.

only were assumed to be open for adoption—the one to sell bonds in the open market for the best price the market would offer; the other to create a forced loan for the amount needed by issuing paper money, and making it by enactment a legal tender. To detail with any degree of fulness the discussions by Congress and the public of these alternatives, would require an essay by itself; and, therefore, we shall here merely say that the one embodying the legal tender provision was adopted; and that the main argument by which it was carried was, that the Act was absolutely necessary in order to prevent the national securities from being sold at a discount of from seventy-five to sixty cents on the dollar, and the expenses of the war and the resulting debt from being thereby doubled. And although the chairman of the Committee of Ways and Means of the House of Representatives, in closing the debate upon the Bill, most solemnly asseverated that no nation could afford to borrow at *seventy*, his opinion had in it so little of correctness that the credit of the United States subsequently, and in great part through the influence of this very measure, sunk so low that its Six per Cents. sold in Europe at from *thirty-five* to *forty* cents on the dollar.

WAR TAXATION.

Having thus briefly reviewed the plans and measures adopted by the government of the United States during the war, for the raising of funds by means of loans and the issue of paper money, and narrated some of the incidents and influences connected with the carrying out of the same, it remains to notice the measures of taxation resorted to coincidently for the accomplishment of the same object.

In the outset all direct or internal taxation was avoided; there having been apparently an apprehension on the part of Congress, that inasmuch as the people had never been accustomed to it, and as all machinery for assessment and collection was wholly wanting, its

adoption would create discontent, and thereby interfere with a vigorous prosecution of hostilities. Congress, therefore, accordingly confined itself at first to the enactment of measures looking to an increase of revenue from the increase of indirect taxes upon imports; and it was not until four months after the actual outbreak of hostilities that a direct tax of $20,000,000 per annum was apportioned among the States; and an income-tax of 3 per cent. on the excess of all incomes over $800 was provided for: the first being made to take effect practically eight, and the second ten months after date of enactment. Such laws, of course, took effect and became immediately operative in the loyal States only, and produced but comparatively little revenue; and although the range of taxation was soon extended, the whole receipts from all sources by the government for the second year of the war, from excise, income, stamp, and all other internal taxes, was less than $42,000,000; and that, too, at a time when the expenditures were in excess of $60,000,000 per month, or at the rate of over $700,000,000 per annum. And as showing how novel was this whole subject of direct and internal taxation to the people, and how completely the government officials were lacking in all experience in respect to it, the following incident may be noted. The Secretary of the Treasury, in his report for 1863, stated that, with a view of determining his resources, he employed a very competent person, with the aid of practical men, to estimate the probable amount of revenue to be derived from each department of internal taxation for the previous year. The estimate arrived at was $85,000,000, but the actual receipts were only $37,000,000.

The people of the loyal States were, however, more determined and in earnest in respect to this matter of taxation than were their rulers; and before long the popular discontent at the existing state of things was openly manifest. Everywhere the opinion was expressed that taxation in all possible forms should immediately, and to the largest extent, be made effective and imperative; and Congress spurred up, and rightfully relying

on public sentiment to sustain their action, at last took up the matter resolutely and in earnest, and devised and inaugurated a system of internal and direct taxation, which for its universality and peculiarities has probably no parallel in anything which has heretofore been recorded in civil history, or is likely to be experienced hereafter. The one necessity of the situation was revenue, and to obtain it speedily and in large amounts through taxation, the only principle recognised —if it can be called a principle—was akin to that recommended to the traditionary Irishman on his visit to Donnybrook Fair, "Wherever you see a head, hit it." Wherever you find an article, a product, a trade, a profession, or a source of income, tax it! And so an edict went forth to this effect, and the people cheerfully submitted. Incomes under $5,000 were taxed 5 per cent., with an exemption of $600 and house rent actually paid; these exemptions being allowed on this ground, that they represented an amount sufficient at the time to enable a small family to procure the bare necessaries of life, and thus take out from the operation of the law all those who were dependent upon each day's earnings to supply each day's needs. Incomes in excess of $5,000 and not in excess of $10,000 were taxed $2\frac{1}{2}$ per cent. in addition; and incomes over $10,000, 5 per cent. additional, without any allowance or exemptions whatever.

Raw cotton was taxed at the rate of 2 cents per pound; but export duties (though in favour), being prohibited by the Constitution, were not attempted.

Salt was taxed at the rate of 6 cents per one hundred pounds; tobacco, from 15 to 35 cents per pound; cigars, from $3 to $40 per thousand; sugar, from 2 to $3\frac{1}{2}$ cents per pound. Distilled spirits were first taxed, in 1863, at the rate of 20 cents per gallon; the next year, 1864, 60 cents; then $1·50; and subsequently at $2·00. But the most curious and complex taxes were those imposed on the various products of what may be termed ordinary manufacturing industry; the tax, by intent or construction, having been imposed first on the raw material, and

then on the total or increased value, according to circumstances, on each successive stage of its elaboration up to the finished product. And, as if this was not enough, every manufacturer was also compelled to take out an annual licence; while the goods produced, if sold by dealers or agents independent of the manufacturers, were subject to an additional tax of one-tenth of one per cent., reckoned upon the amount of sales. This tax upon manufactures and products, with the exception of a few articles, was at first fixed, in 1864, at an average of *five* per cent.; but in 1865 the rate was increased uniformly *twenty* per cent.; making the tax for most articles *six* per cent.

Under the operation of this law, the government actually levied and collected from eight to fifteen, and in some instances as much as twenty per cent. on every finished industrial product. In the case of the manufacture of umbrellas and parasols, it was shown, for example, that separate taxes were paid, first, on the sticks or supporting-rods; then upon the handles if carved or turned separately of bone, wood, or ivory; then, in like manner, upon the brass runners, the tips, the ribs, the cloth composing the cover, the elastic band which fastened the umbrella when closed; the rubber of which the band was composed; the button to which it was attached; and, finally, upon the umbrella itself, when the separate parts were aggregated and thereby converted into a finished product. And if any of the constituents of the umbrella—as the ivory, the silk, or the metal—were of foreign production, the same were subjected, on coming into the country, to an import duty in addition.

In the case of books and pamphlets, it was claimed and proved by the New York Publishers' Association that, including the licence and income taxes, the finished book and its constituent materials paid from fifteen to twenty separate and distinct taxes before it came to the reader—the paper and its constituents, the cloth, the glue, the starch, the leather, the slaughtered animal from whence the hide furnishing the leather was obtained, the dyes

with which the cloth or leather was coloured or stained; the thread, the gold-leaf, the type-metal, the type, and the machinery; and then, when the whole were combined, the finished book paid an additional tax of five per cent., which was levied, not upon the cost of manufacture, but upon the price at which the book was sold. In addition to all these, the manufacturer or publisher paid, for the privilege of doing business, an annual licence tax, and an income tax of from *five* to *ten* per cent. on his profits, if he had any.

In short, it was as if a frontier had been drawn about each individual article or product in the nation, across which nothing could pass without being submitted to a tax, which was repeated at each border.

Besides these taxes on manufactured products of the character specified, a tax of from three to six per cent. was imposed on the repairs of engines, cars, carriages, and other articles, where the value of the articles so repaired was increased by reason of the repairs to the extent of ten per cent.; and a further tax of six per cent. on what was termed "increased values," or the additional value given to any article which had previously paid either an import or internal tax, by being "polished, painted, varnished, waxed, oiled, gilded, electrotyped, galvanised, plated, framed, ground, pressed, coloured, dyed, trimmed, or ornamented."

The examples of difficulty and nice adjudication experienced in enforcing these two classes of taxes are so curious, as to justify a somewhat more than passing notice. Thus, if a worker in tin or iron made a stove at one hour, and in the next hour, repaired a stove to the extent of more than ten per cent. of its value, he paid on the product of his first hour's work a tax of six per cent., and on his second three per cent. In like manner, a blacksmith making a taxable article, and then repairing one exactly like it, was liable to the payment of the two classes of taxes; and the theory of the law furthermore was, that both the tinsmith and the blacksmith kept a separate and distinct account of their different transactions. Again, if a worker in wood repaired a wheel-

barrow worth $1, and by so doing added ten cents to its value, the increased value was taxable. If, on the other hand, he repaired a carriage or pianoforte worth $500, no tax accrued unless the value of the repairs exceeded $50. The following absurd case was also presented for adjudication under these statutes. A wheelwright repaired a carriage to the extent of eight per cent. The owner or his agent then passed it successively to a blacksmith, a painter, and an upholsterer, neither of whom added repairs to the extent of ten per cent., or knew the value of previous repairs, or the value of the carriage before it was repaired. The question then was, Shall the repairs, however extensive, go untaxed, or shall the owner be taxed? But the construction of the law was that the tax must be assessed on the manufacturer or persons receiving pay for the work, and that the owner could not be held to be the manufacturer unless he furnished the materials, whole or part, for making the repairs. And then the further question arose, whether the subject of repair, in the shape of the old carriage furnished by the owner, was a material for making the repair, and thus constituted the owner a manufacturer, and as such liable to taxation.

In another case, the question came up whether the publishers residing in one assessment district, and having their books printed and bound by contract in another district, were to be regarded as manufacturers of the books, or whether the printers and binders who executed the work were to be so regarded and taxed; and in two instances in two contiguous districts in the State of Massachusetts the law was interpreted in both ways, or one way in one district and another way in another district; and the parties interested submitted rather than incur the expense and trouble of contesting the matter before the courts.

In fact, it is safe to say that no more complicated and absurd questions have ever seriously occupied the minds of educated men since the discussions of the scholiasts in the eleventh and twelfth centuries.

We have said that the people of the United States

submitted to such a system. They did more; for such was the fervour of patriotism and the determination to push the war to a successful issue, that they rejoiced in it; and during the continuance of hostilities there was no movement or protest attempted against the system which found any noticeable response among the masses. The country was rich, and its accumulated resources had not for nearly two generations been in any degree drawn upon by the national government for extraordinary taxation. Wealth, moreover, was very uniformly distributed; and the people pointed with pride to the annually increasing receipts of revenue under the new system, which, starting with $42,000,000 in 1863, rose rapidly to $117,000,000 in 1864, $211,000,000 in 1865, and culminated in 1866 with the large sum of $310,000,000, making the total revenue for that year, drawn from all sources by taxation, *five hundred and fifty-nine millions.*

So long, moreover, as the war lasted, the attempts to evade taxation were exceptional, and in amount inconsiderable. The demand for most manufactured and agricultural products, owing to the enormous consumption of the armies, and the withdrawal of labour by enlistment from its accustomed avocations, was fully equal to or in excess of supply; prices rose rapidly with every increase of taxation, or additional issues of paper money; and, under such circumstances, the burdens of the war were not regarded by the majority of producers as oppressive. But, on the contrary, counting the taxes as elements of cost, and reckoning profit as a percentage on the whole, it was very generally the case that the aggregate profits of the producer were actually enhanced, by reason of the taxes, to an extent considerably greater than they would have been had no taxes whatever been collected. Indeed, it was not unfrequently the case that the manufacturers themselves were the most strenuous advocates for the continued and rapid increase of taxation, with a view of realising thereby, through an advance in prices, large additional profits on products or constituents of products, previously assessed or imported at lower rates of taxes or duties;

and to bring about such advances, influence and money were used without scruple. Thus, in the case of distilled spirits, the taxation, as already stated, was advanced in successive years from *twenty* cents per gallon to $1·50, and finally to $10. And in each of these instances, particularly after the imposition of the first two and lowest rates, the distillers and speculators reckoned with a great degree of certainty, that a further large advance would be enacted; and that the new law, furthermore, would not be made retroactive, or applicable to spirits distilled or assessed previously and at a lower rate. In this they were not disappointed; for Congress, under the influences to which it was subjected, did virtually legislate in each instance in the manner expected, and thus gave occasion for the realisation of profits by the holders of stocks made in anticipation of the advance, which, at the very lowest, cannot be estimated at less than *fifty millions of dollars*. Thus, the evidence before the U.S. Revenue Commission, in 1865-6, showed that there was on the 1st of January, 1864, a stock of "high wines" and whiskies, previously made in anticipation of the increased tax, sufficient to meet all the requirements of the country for a period of from twelve to eighteen months; and on each gallon of this quantity a profit was realised, owing to the subsequent advance of the tax from 60 cents to $2, of from 90 cents to $1·40 per gallon. In cases, also, where the duties on the import of teas, sugar, coffee, spices, and other articles were suddenly raised, the previous knowledge, or reasonable inference of the fact, was undoubtedly taken advantage of for the realisation by speculators of immense profits.

In the case of raw cotton, which advanced mainly through conditions affecting its production or distribution, it was shown by actual calculation, in respect to one manufacturing corporation in New England, that if they had at the commencement of the war burnt their mills, lost their insurance, and sunk their capital, other than what was invested in cotton, and had subsequently sold their cotton at the highest prices obtainable, in

place of manufacturing it, the result would have afforded to the stockholders a permanent annuity of at least *twelve* per cent. on their original investments.

RISE OF PRICES AND CHANGES IN DOMESTIC CONSUMPTION.

As was to have been expected, the effect on general prices of the excessive issue of paper money, of heavy and indiscriminate taxation, the enormous demands of the armies for supplies of every description, conjoined with a diversion of labour from civil to military pursuits, and the forced abandonment of the cultivation of cotton and other peculiar products of the southern portion of the country, was during the last years of the war and immediately subsequent, something very extraordinary. From calculations made from a great variety of data, returned from all sections of the loyal States, it appears that the advance in those years, as compared with the year immediately preceding the war (1860-61), was for groceries and provisions, from 90 to 100 per cent.; for domestic dry goods, including clothing, 86 per cent.; for fuel, 50 to 60 per cent.; for house-rent in the cities, from 90 to 100, and even 200 per cent., and in the country somewhat less. The increase in the price of a barrel of wheaten flour from 1860 to 1868, throughout the eastern manufacturing States, was in excess of 90 per cent.; of salt, 100 to 150 per cent.; of butter, 100 per cent.; brown sugars, 70 to 80 per cent.; soap, 80 to 90 per cent.; teas, 140 to 150 per cent. In respect to ordinary cotton goods, the advance even as late as October, 1866, was in currency 172 per cent. over the gold prices of similar fabrics in July, 1860; of woollen goods, 53 per cent.; and of silk, about 100 per cent.

The general advance experienced in wages during the same time, the comparisons being made, as in the case of commodities, in currency as against gold, before the war, was generally as follows: For unskilled labour, 50 per cent.; for skilled mechanical labour, 60 to 75 per

cent. On the cotton-mills of New England the advance in the prices paid to female adults working by the piece was 50 per cent.; of male adults, ditto, 61 per cent. The advance in the prices of board for the same periods of the same class of operatives was respectively 60 and 66 per cent.

But notwithstanding a very full examination and comparison of prices in the United States *before*, *during*, and *after* the war, shows most conclusively that the prices of commodities and rents during the period under consideration advanced in a far greater ratio than wages, it is yet a curious fact—one of the anomalies of the war—that at no time was there any noticeable complaint from the working classes of unusual suffering and privation. The explanation of this will probably be found to be due to several causes. *First*, the enrolment of a million and a half of men in the ranks, or "following" of the army, enlarged the opportunity for employment to many who before were comparatively idle, or in receipt of small wages, and thus in many instances enlarged the income of families; *second*, the enormous amount disbursed by the government to the States for pay and bounties to the soldiers, and by them returned to their families or relatives; *third*, the profuse and extravagant expenditures of the speculators and manufacturers suddenly and largely enriched by the rise of prices and by contracts; and *finally*, and more than all, to an exercise—on the part of the working classes—of a measure of retrenchment and economy, which the national condition of abundance before the war and the national sin of wastefulness rendered perfectly practicable without producing anything like absolute want and suffering. It may furthermore help to a clearer comprehension of these social phenomena by remembering that the poor of the United States were not then, and are not now, the same as a class with the poor of Great Britain and of Europe. In the United States poverty, as a general thing, means simply deprivation of comforts and luxuries, and rarely, if ever, implies a deprivation of necessities or a possibility of starvation; while in Europe the contrary may

be affirmed. The effect of the war, consequently, in diminishing the purchasing power of wages or incomes resulted mainly in impairing the power of accumulation and in decreasing comfort, and not in what may be termed actual suffering and serious destitution. And appearances being thus kept up outwardly, the conclusion was pointed at by some, and even soberly maintained on the floor of Congress by the advocates of the system of high protection, that the war, regarded from a merely material point of view, was in reality a blessing, and that the prosperity of the country was in no degree diminished by it.

But how severely it did restrict the comforts of the classes who live on wages and fixed incomes is very conclusively shown by the following data:—The population of the United States undoubtedly increased from 1860 to 1866 at least 4,000,000. The consumption of cotton in the country for manufacturing purposes in 1860 was 978,043 bales, and in 1865 and 1866, 554,400 bales and 655,200 bales respectively. The report of the American Cotton Manufacturers' Association, made in October, 1868, says:—"The production of cotton goods for the last eight years (1860-68), compared with the production during the eight years preceding (1853-60), has been as 539 to 800, or only 67⅜ per cent.—an actual diminution of nearly 33 per cent. during a period when there was an increase of population of more than 30 per cent., requiring a corresponding increase of supply." During the six years immediately preceding the war the United States consumed of coffee 1,228,000,000 pounds, or 548,000 tons; but during the six years immediately succeeding the outbreak of the war the total consumption of this article was but 751,000,000 pounds, thus showing a reduction of consumption to the period specified of the enormous quantity of 477,000,000 pounds, or 213,000 tons.

In 1859 the annual consumption of sugar in the United States, foreign and domestic, was 431,184 tons; in 1864 it was 221,980 tons; and in 1866, 391,678.

The statistics of the manufacture of boots and shoes, and of hats also, show a very considerable falling off in

the domestic consumption of these articles; while in Massachusetts, one of the richest and most densely populated of the States, the official returns show that nine more polls (males of twenty years and upwards) and representing probably as many heads of families, were crowded into every hundred houses in 1868 than was the case in 1860.

COST OF THE WAR.

And above all this, as showing how dreadful is the curse of war, and how far more calamitous it is than all the other evils with which mankind are from time to afflicted, comes this final inference derived from the census of 1870, and other reliable data, that the cost to the United States, North and South, of their four years' war—from 1861 to 1865—was, directly and indirectly, in respect to life, in excess of a million of men; and in respect to property—direct expenditures, destruction of product, suspension, diversion, or waste of industry—at least *nine* thousand millions of dollars; a sum equivalent to the expenditure of a $1,000,000,000 a year for nine years; or at the wages of $500 per annum, to the labour of two millions of men exerted continuously during the whole of that period.

Some of the data available for the formation of this estimate are as follow:—

The gross expenditures of the United States from June, 1861, to July, 1866, were $5,792,257,000. The total expenditure of the government for the year next previous to the war (1860) was $77,000,000. If we assume that the average expenditures under conditions of peace from 1861 to 1866, inclusive, would have been $90,000,000 per annum, the aggregate expenditures by reason of the war would be $5,342,237,000. The expenditures incurred by States, counties, cities, and towns in the loyal portion of the country for war purposes and not represented by funded debts, has been estimated at $500,000,000.

Increase of State debts on war account $123,000,000. Increase of city, town, and county debts, estimated, $200,000,000.

Estimated direct expenditures of the Confederate States by reason of the war, $2,000,000,000.

To these sums, aggregating $8,165,000,000, must be added the further amounts which represent the destruction of property—some portions of the Southern States being rendered almost desert—and the loss from the diversion, suspension, or waste of industry. It should also be noted that the returned value of the slaves by the census of 1860 was $1,936,000,000; all of which, to the owners, represented an equivalent amount of productive capital.

OTHER INDUSTRIAL CHANGES CONSEQUENT ON THE WAR.

One curious result of the war which deserves to be noted, was the very great stimulus which was given to the invention and use of labour-saving machinery; as is shown, first by the increase in the number of patents granted—3,340 in 1861, and 6,220 in 1865—and in the further fact, that, notwithstanding the withdrawal, directly or indirectly, during the years 1863-4 and 1864-5 of not less than a million and a half of able-bodied men from productive employments in the loyal States alone, and in great part from the business of agriculture, the yearly products of the soil, and of many other industries, increased rather than diminished. Machines were substituted in the place of men, while the certainty of a market voluntarily increased the hours, and consequently the products of industry.

Thus, during the years 1863-4 the number of reaping and mowing machines manufactured and sold in the United States were enormously multiplied; while the State of Indiana, which in 1859 produced 15,219,000 bushels of wheat, in 1863 increased her annual products to upwards of 20,000,000 bushels—and that, too, notwithstanding the circumstance that in 1862-3, out of her

population of 1,250,000, 124,000 fighting men were drawn to supply the ranks of the national armies.

Another anomaly of this period was the extraordinary increase in the exportation of many articles of domestic product, notwithstanding the greatly increased cost of their constituent materials and of labour. Thus the export value of carriages increased from $472,080 in 1861 to $803,000 in 1864-5, gold valuation; glass and glass-ware, from $277,000 in 1860 to $627,000 in 1864-5; clothing do., from $402,000 to $756,000; boots and shoes do., from $782,000 to $1,038,000. In provisions and other agricultural products, the advance was equally noticeable. Thus the export value of tallow (gold) advanced from $1,598,000 in 1860 to $3,984,000 in 1864; tobacco, ditto, from $15,000,000 to $20,000,000; and provisions proper ditto, from $16,000,000 to $25,000,000. But the most remarkable of these commercial phenomena was exhibited in the export movements of wheat and wheat-flour. Thus, previous to the year 1860, whenever wheat fell to 41s. or 40s. per quarter, in England, the export of wheat from the United States to the United Kingdom became merely nominal. In 1859, the price being as low as 43s. 9d., the exports of the United States fell off to 861,000 bushels; but during the years 1863 and 1864, when the *Gazette* prices of British wheat were reported at 44s. 9d. and 40s. 2d. respectively, an average of 42s. 5d. The aggregate exports of wheat and wheat-flour from the United States rose to the unprecedented figure of 67,000,000 bushels, or an average of over 33,000,000 bushels per annum. The explanation of this increased movement may be found, first, in the fact that the premium on gold often rose with great rapidity, and for periods was often unquestionably from fifty to seventy per cent. in advance of the currency prices of the labour and materials employed in many branches of domestic production, the effect of which was to increase the purchasing power of the foreign consumer dealing only with gold; or, what was

the same thing, to diminish the relative cost of such articles of American products as were available for export and sale in a foreign market. Another explanation more especially applicable to the situation of the agricultural producers is to be found in the circumstance that, while they sold for exportation at a low foreign gold price, less freights, insurance, commissions, and all intermediate charges and profits, they were paid an unusually high price in the currency in use in the United States, which, having been made a legal tender, was worth its fair value, without any deduction or depreciation, in the payment of debts contracted at a time antecedent, when gold and currency were at par, or nearly so. In this way a vast amount of debts and mortgages on farms are known to have been discharged, an advantage which, without doubt, contributed not a little to the popularity of the war with certain classes.

The close of the war was also marked by commercial and social phenomena worthy of notice. A million and a half of men, directly or indirectly engaged through the army in the work of destruction, were returned to productive employments. The enormous demands of the government for services and supplies of every description were almost immediately terminated; while the decline in the premium on gold occasioned a marked falling off in the volume and value of many articles of domestic export.

Various agencies, however, at once came in to prevent that stagnation and derangement of the business of the country which, at first thought, would seem to have been almost inevitable. The stock on hand of agricultural products had been reduced to a minimum, owing to the enormous consumption of the men and animals of the army, to a partial failure of the crops in the year 1865, and to an unnaturally stimulated export; and with the exception of cotton and woollen goods, there was no accumulation of the so-called manufacturing industries. The Southern, and heretofore rebellious States, comprising a population of about 12,000,000, were,

moreover, destitute of nearly everything essential to render possible the continuance of civilisation, or even life itself; and yet the people of this same section of country, through the retention of a considerable quantity of cotton, were able to purchase largely and pay promptly for their necessities, as is shown by the fact that the value of exported cotton alone advanced from the small sum of $3,384,000 gold, in 1864-65, to $199,503,988 gold in the succeeding year 1865-66, the largest amount ever realised by the cotton producers of the United States in any one year from their exported products.

In addition to these circumstances, which afforded large opportunities for the profitable employment of labour, the disbursement of the government for arrears of pay, bounties, or enlistments and re-enlistments, pensions, and the settlement of contracts during the three years immediately subsequent to the war, also constituted a very great stimulus to consumption, and were therefore equivalent to the creation of new domestic markets, or to the continuance or extension of those previously existing. The amount disbursed from the 1st of April, 1865, to the 1st of June, 1869, was in round figures about $700,000;* a great part of which was immediately invested in the purchase of food, shelter, implements, transportation, or business; and really constituted a fund on which the disbanded soldiers

* It may be urged that, as all this money had been previously drawn from the people in the form of loans or taxes, any advantage which may have resulted from its disbursement was more than counterbalanced by the evil and disturbance of its original taking; but when the method and circumstance of this original taking come to be fully considered, it will probably be found that the evil of the deprivation in the first instance was carried over and made an influence of the future, rather than of the then present. Somewhat in the same way, to use a homely illustration, as a man under the influence of a debauch is unconscious alike of the loss of his watch, or of the knock-down that accompanies it, until he has returned to his normal condition of sense and sobriety. All these circumstances occurring after the close of the war made it impossible for the United States to resume at once its natural industrial relations, and to determine by actual experiment the effect of its losses, of its immense debt, of the changes in its industries, of its increased taxation, and of the methods under which such taxation was apportioned and collected. And indeed, in many particulars, the time has not even yet come when it is possible to render a correct judgment, and accurately trace the full influence of the events that have been related.

of the army re-established themselves in the arts of peace.

THE FUNDING OF THE DEBT AND THE REDUCTION OF TAXATION SUBSEQUENT TO THE WAR.

The matter of the most immediate and serious importance that pressed itself upon the attention of the Government, after the termination of hostilities, was the condition of the debt and the proximate liabilities of the Treasury. The largest army of modern times, whose disposition and conduct consequent upon disbandment had constituted a theme for anxiety to many foreign observers, had assimilated itself so quietly with the people, and returned so rapidly to its original avocations, that with the exception of the continued use of military titles and old clothes, the space of three months was sufficient to obliterate nearly every outward evidence of its existence.

But the embarrassments of the Treasury had not terminated with the war; for either through negligence, want of foresight, or an infatuation which throughout the early years of the war seemed to possess certain leaders of the administration, that hostilities were likely to be of no long continuance, the debt was in a most unsatisfactory and dangerous condition. How unsatisfactory and how dangerous may be inferred from the circumstance that the liabilities which had been allowed at the close of the war to become due by the issue of temporary obligations, within the space of three years, amounted to the large sum of $1,291,000,000, of which as much as $107,000,000 were made payable at thirty days' notice on the part of the holders; while more than $350,000,000 became absolutely due within the limits of a single month.

Never was there a more difficult task imposed on a finance minister than the arrangement for the meeting of these immense liabilities, which could not be paid in accordance with the terms of their issue, and at the

same time preserving the faith of the government; but, partially through the great ability and skilful management of the new Secretary of the Treasury, the Hon. Hugh McCulloch, partially by utilising the large receipts of revenue, which for the year 1866 amounted to $559,000,000, and more than all through the good sense and patriotism of the people, all these difficulties were tided over, and the debt gradually consolidated into a form which entirely freed the Treasury from all embarrassment and danger of excessive and early maturing liabilities.

A marked change in the temper of the people in respect to the continuance of war taxes was, however, at once experienced when the war had actually and permanently been brought to a close. But this discontent in the outset manifested itself almost exclusively in respect to the so-called "internal revenue taxes," and applied in little or no degree to the taxes imposed under the tariff; which last, so long as the internal revenue taxes continued to be levied upon every manufactured product, and also upon the separate constituents of such product, were not only for the most part wholly justifiable, through the necessity of equalising the burdens of the war between the domestic producers and their foreign competitors; but in some instances, through oversight or neglect, the tariff taxation was actually made less upon the imported article than was the internal taxation upon the corresponding domestic product. As an illustration of this, the case of Manilla rope may be cited, in which, during the years 1864-5, the duty on the imported rope was $56 per ton, while the duties on rope manufactured in the United States, out of the Manilla fibre, aggregated from $48 to $73 per ton.

It was also claimed at the same time by the manufacturers of umbrellas, that the internal taxes levied on their products and their separate constituents were so much in excess of the tariff on the completed and imported umbrella, as to amount to an actual discrimination against the American manufacturer, and in favour of the

foreigner of at least 40 per cent.—a claim which appeared to be substantiated by the results of a comparison of prices at which the American and foreign products were at that time offered for sale in the New York markets.

In accordance, therefore, with popular demand and the cessation of war expenditures, Congress in 1866 commenced upon the reduction of the taxes levied under the internal revenue; and by the Act of July 20, 1866, repealed or abated taxes which were during the preceding year productive of an annual revenue of at least sixty-five millions; and in the March following, 1867, made a further reduction of what was believed to be equivalent to forty millions annual revenue additional. In both these instances, the reductions were made to apply mainly to taxes on manufactured products; but by the Act of March, 1867, the differential taxes on incomes in excess of $5,000 per annum were also repealed, and the exemption allowed to all incomes was increased from $600 to $1,000. The next important reduction of income taxation related to "raw" cotton, and by an Act passed February, 1868, all cotton grown after the year 1867 was exempted from excise. Previous to the year 1866 the tax on cotton was fixed at *two* cents per pound. From August, 1866, until September, 1867, it was *three* cents, and after this latter date until February, 1869, it was two and one-half cents. So long as the war continued, the revenue received from this tax was inconsiderable, or less than $2,000,000 per annum; but after the termination of war, it increased to $18,000,000 in 1866, and $23,000,000 in 1867.

Next followed the repeal of all taxes upon mineral oils, or petroleum, which during the fiscal year of 1866 yielded a revenue of seven and a half millions; and subsequent to this, and by successive Acts, the taxes on legacies and successions were repealed, as well as the taxes on trades and professions—in the nature of licences; on the gross receipts of transportation, telegraph and insurance companies; on theatres, lotteries, advertisements, bridges, toll-roads and canals, carriages, billiard-

tables and watches, and others of similar character. The maximum of revenue derived in any single year from these taxes was as follows: From legacies and successions, $2,433,000; from licences, $18,186,000; gross receipts, $10,971,000; watches, $619,000; carriages, $624,000; billiard-tables, $67,753. During the same time the taxes on distilled spirits were reduced from $2 to 60 cents per gallon; on cigars, from $18 to $5 per thousand; on chewing tobacco, from 40 to 32 cents per pound; while the tax on incomes was further reduced to two and one-half per cent, with an overcharged deduction from each person's gross income of the sum of $2,000, with such additional sums as represent the aggregate of all taxes, State or local, paid during the year preceding; all losses "actually sustained during the year from fires, floods, shipwreck, or occurred in trade; the amount of interest paid during the year; the amount paid for rent, or labour to cultivate land; the amount paid for rent of premises actually occupied; and the sums expended for the usual and ordinary repairs of such premises." As might be inferred, the enactment of such curious and anomalous exemptions practically has the effect—as was doubtless intended—to maintain a taxation of incomes in respect to the income only of the most wealthy of citizens; and this, moreover, not because of any probable or possible deficiency of revenue, but solely on account of an apprehended political influence which might result from a *complete* repeal of the tax in question. As thus cumbrously modified, the continuance of the tax has given more dissatisfaction than when it was maintained at its maximum; and practically has hardly afforded revenue sufficient to pay the cost of collection. We have also in these and other repealing acts of a similar character, a further interesting item of financial history—namely, that as the recent Internal Revenue Laws of the United States were in the outset the result of urgent necessity, and were framed solely with the view of obtaining the largest revenue within the shortest time, and without any reference whatever to their influence upon the industry

of the country, and the equitable distribution of its annual product; so in taking down this enormous and complicated system, there has been exhibited an almost equal disregard of the principles of political and financial economy.

But the system, with all its complications, and infinity of details and blunders, has, at the present time, almost become a thing of the past; and is now restricted in its operation to the collection of taxes from distilled and fermented liquors, tobacco, banks and bankers, gas, stamps upon legal documents, money checks, proprietary medicine, and matches; and to a limited extent as before shown upon incomes. And even these taxes, it may be certainly predicted, will, in the course of another year, be still further diminished in number.

The largest amount of revenue ever collected in any one year, under the law imposing taxes upon incomes, was in 1866, and amounted to $72,982,000; of this amount $26,406,000 were derived from incomes over $600 and not over $5,000, taxed at *five* per cent.; and $34,501,000 from incomes over $5,000, taxed at *seven and a half* and *ten* per cent.; the balance being made up from the taxes on the income of corporations and on the salaries of government officials. In 1866 the number of persons assessed for an income-tax, with an exemption of $600 and the amounts actually expended for house-rent, necessary repairs, taxes, &c., was 460,170 out of an estimated population of about 35,000,000. In the succeeding year, when the exemption was increased from $600 to $1,000, the number of persons assessed declined to 259,385. In that year only 50,088 persons paid an income-tax in excess of $500. As throwing also some further light upon the distribution of the wealth in the United States, it may be stated, that in the year 1868 the number of individuals directly assessed for income, over and above all legal exemptions, was about 250,000, out of the then estimated population of 37,000,000; and then the aggregate income which the tax represented for that year was $780,000,000. And from the record of experience in respect to local taxation, we have this

further evidence upon the same subject. Thus, in the State of Massachusetts, the richest, in proportion to population of any State but one in the Union, and in which the prepayment of a poll-tax of $2 is essential to the exercise of suffrage, forty-two per cent. of all legal voters in the year 1869, under one of the most stringent and inquisitorial systems of local taxation that has ever existed, were assessed for a "poll-tax" only.* In the city of Boston (State of Massachusetts), with a population in 1870 of 250,700, the number of polls—males of twenty years and upwards—assessed in 1869 was 54,242, of whom 43,587 were legal voters. But of the whole number of legal voters, 28,410 were subjected to a poll-tax only, leaving out of the whole number of voters, and inferentially out of nearly the whole number of polls, but 15,177 who were in possession of sufficient property to be liable to a property-tax.

In the city of New York, with a population in 1870 of 927,000, and where poll-taxes are not assessed, the whole number of persons assessed for the ownership of property is not over 20,000, or about *two* per cent. of the whole population of the city—a fact curiously illustrative of the principle of the rapid diffusion of taxes among the masses; for if this was not the case, the 900,000 inhabitants who pay no direct taxes, could experience no personal detriment from the existence of municipal corruption, and its waste of public money; but on the other hand would rather find it to their interest to keep up the taxes for defraying generous public expenditures upon the original 20,000 property owners, of whom the officials only take cognisance.†

But any review of the experience derived from the

* The poll-tax in Massachusetts is levied upon all male residents, twenty years old and upwards, whether natives or foreigners. It should also be stated that the laws of Massachusetts exempt incomes to the extent of *one thousand dollars;* also the tools and implements of mechanics to the extent of *three hundred dollars.*

† The laws of New York exempt from taxation household furniture, professional books, tools and implements, to the value of two hundred and fifty dollars; also the land and buildings occupied and held as a homestead by a family to the value of one thousand dollars; also, one cow, two swine, sheep to the number of ten, and certain other minor exemptions.

workings of the recent Internal Revenue System of the United States would be incomplete which failed to call attention to the additional testimony which such experience has given in support of a before well-recognised principle of political economy, but one which empirical financiers and dogmatic framers of tax systems have ever been slow to recognise, namely, that the largest taxes are not the most productive of revenue, and that the surest way to increase revenue is not unfrequently to diminish taxation. Thus, from the very outset, in 1866, when reductions of the internal revenue taxes of the United States were commenced, the reductions in every instance were opposed in whole or part by leading members of Congress, on the ground that the abatements proposed were inopportune and not justified by the condition of the finances; and yet, in every instance, experience proved that the reductions, through the increased stimulus given to industry and the removal of incentives to frauds and evasions, were much less than had been anticipated, and in some cases were actually the occasion of a large absolute increase of revenue.

Speaking specifically, the internal taxes abated or repealed during the years 1866 to 1870 inclusive had been productive of annual revenue to the extent of over $250,000,000; but the actual falling off in the receipts of revenue during the year ending June 30th, 1871, as compared with the receipts of 1866, was not in excess of $130,000,000, although the business of the country, owing to partial failures of the crops, to falling markets, consequent upon the constant shrinkage of war prices, and the strikes of manufacturing operatives, was generally regarded as unsatisfactory and unprofitable. Again, the revenue obtained from cigars in 1866, at a uniform tax of $10 per thousand, was $3,476,000; in 1867, with a reduction of the tax to an average of $6·66 per thousand, the revenue increased to $3,661,000; while in 1869, with a uniform tax of $5 per thousand, the revenue was $4,960,000; and in 1870, $5,718,000; thus showing an increase of revenue from one article

in 1870, at half the rate of taxation, over 1866, of $2,242,000.

With a tax on chewing tobacco in 1866-68 of 40 cents per pound, and on smoking of 35 cents per pound, the revenue varied from $13,000,000 to $16,000,000; with the same tax reduced to 32 cents and 16 cents respectively, the revenue increased to $17,000,000 in 1869, $24,000,000 in 1870, and $25,000,000 in 1871.

But the most remarkable experience attending a reduction of taxes was afforded in the case of distilled spirits; and by reason of its importance, and the many curious incidents connected therewith, is worthy of a somewhat extended notice.

Previous to the war the manufacture of spirits was free from all specific taxation or supervision by either the National or State Governments; and being produced mainly from Indian corn, at places adjacent to the localities where this cereal was cultivated, was afforded at a very low price—the average market price in New York for the five years preceding the year 1862 having been 24 cents per proof gallon; with a minimum price during the same time of 14 cents per gallon. The price of alcohol during the same period ranged from 45 to 65 cents per gallon. Under such circumstances the consumption of spirits, for a great variety of purposes, in the United States previous to the war had become enormous; the estimated product for the year 1860 having been in excess of 90,000,000 of gallons; while the maximum quantity exported in any one year was not in excess of 3,000,000 of gallons. One of the purposes for which this product of spirits was extensively used at this time, which was previous to the discovery and use of petroleum, was the manufacture of "burning fluid,"—an illuminating agent composed of one part of rectified spirits of turpentine, mixed with from four to five parts of alcohol; and so extensive was the manufacture and consumption of this article, that it was stated on the floor of Congress in 1864, that in the city of Cincinnati alone the amount of alcohol required

every twenty-four hours for this industry was equivalent to the distillate of 12,000 bushels of corn. The excessive cheapness of alcohol also led to most extensive use of it for fuel in domestic culinary operations, for bathing and cleaning, for the manufacture of varnishes and patent medicines, and for a great variety of other purposes. It is also to be noted that nearly all preparations and washes for the hair, which at that time in other countries—as now universally—were prepared almost exclusively on a basis of fats and oils, were in the United States then composed almost wholly on a basis of alcohol: the comparative difference in the price of this article in the United States and Europe giving an entirely different composition to products of large consumption intended to effect a common object.

The immediate effect of the imposition and continued increase of internal taxes upon distilled spirits was to revolutionise all these branches of industry, and in some instances to utterly destroy them. The manufacture of burning fluid as an illuminating agent entirely ceased; the necessity of its employment being at the same time most fortunately supplemented by the discovery of vast natural supplies of petroleum, and by the use of its derivatives. And as illustrative of the compensations which invariably attend the losses immediately resulting from the disuse of old methods and machinery, it may be stated that although the business of the manufacture of burning fluid ceased, the business of collecting, preparing, and exporting petroleum rapidly became one of the most important in the country; while the demand at home and abroad for glass lamps and their appurtenances, adapted to the use of the distillates of petroleum, was alone sufficient to employ the entire manufacturing capacity of the glass-works of the United States for a period of two years.

Druggists and pharmaceutists in the United States estimated the reduction in the use of alcohol in their general business, consequent upon its increased cost from taxation, at from one-third to one-half. Manufacturers

of patent medicines and cosmetics abandoned their old styles of preparation and adopted new. Varnish makers reported to the Revenue Commission a reduction in the use of spirits in their business to the extent of *eighty* per cent.; while a manufacturer of horse medicines, using formerly 50,000 proof gallons per annum, testified that his business was in the main destroyed. The same result also happened to a firm engaged in the manufacture of a substitute for whalebone, which previous to the tax on spirits was coming into extensive use; and as further showing how curiously other and apparently remote industries were affected by this tax, a large business of exporting cider to the Pacific, which for transportation through the tropics required to be fortified with alcohol, was seriously curtailed; while the increased price of vinegar, before manufactured largely from whisky, so far affected the cost of the manufacture of pickles and white-lead as to greatly diminish domestic consumption and almost entirely prevent exports.

The first tax imposed on distilled spirits, of a domestic production, was, as already stated, 20 cents per proof gallon. This tax yielded for the year ending June 30th, 1863, a revenue of $3,229,911, indicating a production of 16,149,955 proof gallons. The tax of 20 cents continued in force until March, 1864, when the rate was advanced to 60 cents per gallon. The revenue derived from distilled spirits for the fiscal year ending June 30, 1864, under the two rates as above indicated, was $28,431,000. On the 10th of July, 1864, the tax was further advanced to $1 50 per proof gallon, and on the 1st of January succeeding to $2. The revenue derived from this source, for the fiscal year ending June 30th, 1868, from the two rates, was $15,007,000; and for the succeeding fiscal years 1866 and 1867, under the uniform tax of $2, was respectively $29,481,000 and $29,164,000.

With the advent of high taxes upon this article, however, the initiation and practice of frauds upon the revenue commenced upon a most gigantic scale, and soon became so successful and so reduced to a system that in

1868 it seems as if the whole country and the government itself were becoming corrupted and demoralised.

In the outset, while the war and its varying fortunes were engrossing the attention of the government and the people, the efforts made to repress and punish frauds in this particular were absolutely of no account whatever; and, indeed, it may be alleged with truth that the whole spirit and working of the statute was in the direction of the encouragement and promotion of fraud—Congress in the first instance, under the influence of speculators, having advanced the rate of taxation on two occasions, with ample premonition, and without making the advance applicable to stocks on hand manufactured in anticipation of the legislation in question; and secondly, by so devising the law and providing for its execution as to make the detection and proof of fraud virtually impossible. Under this state of things there were repeated instances where distillers manufactured, conveyed to market, and fraudulently sold spirits in quantities varying from 20,000 to 80,000 gallons and upwards, without a suspicion on the part of the local officers that the business was not in all respects conducted legally and honestly. It was also sworn to before the Revenue Commission in 1865-6 that the determination of the strength of the distilled spirits preparatory to assessment was often made by mere physical inspection or taste, and that the use of instruments (for which no uniform standard was provided) was discarded as something entirely unnecessary. It was also not unfrequently the case that the barrels were inspected and branded some days in advance of their being filled, and the future regulation, the filling and removal, left entirely with the manufacturer. Distillers and their workmen were sometimes constituted inspectors of their own products, and in one instance an assessor was known to have been appointed who did not possess sufficient intelligence to understand and correctly use either a gauging rod or a hydrometer. Thus it was at the commencement; but subsequently, and after the close of the war, when the administration of the laws became more intelligent and

vigorous, and some degree of concealment to the projectors of fraud became necessary, the expedients successfully adopted for the evasion of the tax were in the highest degree characteristic of the ingenuity of the people.

One of the most fertile of these expedients was made available through a provision of law which allowed spirits to be made and stored in bond, or exported in bond without prepayment of the taxes. Thus, for example, spirits deposited in bond were, through the connivance and corruption of poorly-paid officials, secretly withdrawn from bond, the barrels filled with water, or some cheap compound, and subsequently exported. On receipt of the landing certificate, obtained through a consul of an inferior grade in some remote country, the bonds given by the manufacturer for the payment of the taxes were cancelled, and the profits divided among all concerned; while the barrels and contents, being once placed beyond the jurisdiction of the United States, were left either in a foreign bonded warehouse, or on foreign wharves, to take care of themselves. And thus it was that from Turkish ports in the Levant, and from places in Southern Asia, Africa, and Central America there came, in due time and in succession, not a few official inquiries in respect to the disposition of American property for which there was no recognised owner.

In one instance a considerable quantity of what purported to be spirits left a bonded warehouse for transportation in bond by a long, slow voyage down the Mississippi to New Orleans. On arrival at the port of destination the entire contents of the barrels were found to have escaped through shrinkage and imperfect construction of the packages; and proof being submitted of the loss, the bonds given for delivery were cancelled. It is needless to say, that what left the warehouse was not the spirits for which the bonds were originally given, but a substitute of water flavoured with spirit, and that the imperfect material and construction of the barrels was designed to effect the very object which was

accomplished, namely, the accounting for the destruction of what was known to have been the product of the distillery.

In short, such a tax, of about 800 per cent. on the manufacturing cost of the article in question, the enormous profits consequent upon the evasion of the law, and the abundant opportunity which the law itself, and the vast territorial area of the country offered for evasion, constituted a temptation which it seems impossible for either manufacturers, dealers, or officials to resist; and the longer the tax remained at a high figure the less became the revenue, and the greater the corruption.

During the year 1867 the revenue directly collected from distilled spirits, as already stated, was about *twenty-nine millions of dollars;* but during the succeeding year, 1868, with no diminution, but rather an increase of the quantity manufactured and consumed, the total revenue from the same source was but little in excess of *fourteen millions;* proof spirits, at the same time being openly sold in the market, and even quoted in price-currents, at from *five* to *fifteen* cents less per gallon than the rate of tax and the average cost of manufacture. We have also in these figures the materials for approximately estimating the measure and strength of the temptation to evade the law, and the amount of profit that accrued in a single year from the results of such evasion; for as the consumption of distilled spirits for all purposes in the country during the year 1868 was probably not less than *sixty millions of gallons,* and as out of this the government collected a tax upon only about *seven millions* of gallons, the sale of the difference, at the current market rates, $1 90, less the average cost of production, *thirty* cents, must have returned to the credit of corruption a sum approximating *eighty millions of dollars.*

But notwithstanding the fact, that the current price at which distilled spirits were sold in the markets was less than the amount of tax, was everywhere recognised, and commented on by the press; and notwithstanding that the existence and extent of the frauds in the manu-

facture and sale of the spirits was for three years officially reported upon in detail by officers of the Treasury, it was with great difficulty that Congress could be induced to take any action, looking to remedies by the enactment of more perfect laws, providing for more efficient administration of the law, or for diminishing the temptation to fraud by reducing the tax; and it was not until the revenue from this source bad fair to disappear altogether, and the popular manifestation of discontent became very apparent, that anything really was accomplished; a report from the Committee of Ways and Means to the House of Representatives in favour of a new law and a reduction of the tax having been actually delayed a whole year by the appeal of a leading member from the State of New York for postponement, on the ground that it would be derogatory to the honour of a great nation, after having triumphed in the most gigantic of civil wars, to confess, by a reduction of the rates, its inability to control the production and sale of whisky. How expensive this speech and its resulting delay proved to the Treasury is shown by the circumstance, that when the tax was reduced the next year from $2 to 60 cents per gallon, and the law in other respects modified, so as to prevent transportation in bond—holding every distillery liable to account, according to capacity, for each day's product, and forfeiting real estate as well as personal property connected with the performance of illegal acts—the revenue from all taxes, direct and indirect (licenses, &c.), in the manufacture and sale of domestic spirits, increased the very first year to the extent of $27,000,000; or, from $18,000,000 in 1868 to $45,000,000 in 1869, and $55,000,000 in the succeeding year, 1870.

EXTENSION OF THE PROTECTIVE SYSTEM IN THE UNITED STATES.

As has been stated, the reduction of taxes following the termination of the war was mainly confined to those

which had been imposed under the internal revenue system, leaving the taxes which had been imposed under the tariff, and in great part by reason of, and in consequence of the former, almost entirely unchanged; nay, more, the disturbance of prices, and the cessation of demand for supplies on the part of the government for the army, were actually made the occasion for asking an advance of the tariff; and in the case of wool, and manufactures of wool, hair-cloth, steel rails, cotton-thread and fabrics, linseed oil, flax, copper, nickel, telegraph wire, marble, and many other articles, the increase of rates sought for was wholly, or to a great extent, granted. The pressure and annoyance of the taxes levied directly under the internal revenue the people everywhere sensibly experienced; but of the effect of the indirect taxes they were, for the most part, not only unconscious, but in fact they had even come to regard the annually increasing aggregate of taxes under the customs with feelings akin to gratification, inasmuch as these latter, being paid in gold, were made specifically applicable to the payment of the interest and the liquidation of the principal of the public debt; and, therefore, it was also, that this argument, brought forward in support of the abatement or repeal of internal taxes, was in popular estimation not regarded as equally applicable to the abatement or repeal of taxes levied under the tariff; while the leaders of the high protection party—who took advantage of these circumstances to retain duties on imports after the occasion or pretext that led originally to their imposition had been removed, and thus indirectly secured an advance of the tariff, which could never have been effected directly—resembled in their cunning trickery the showman and the learned elephant, which, among other feats of dexterity, had been especially trained to pick up with the finger at the end of his trunk a coin, and deposit it in a box suspended from a high pole or ceiling. A boy anxious to see the feat performed, presented himself with a shilling, which the elephant disposed of as represented; but when the feeling of wonder at the intelligence and obedience of the animal had passed

away, and the boy, desirous of recovering his money, petitioned the showman to cause the elephant to take the coin out of the box, and return it, he was met with the reply, that although he (the showman) would be pleased to do so, the thing asked for was impossible, for that was a feat which they had never been able to teach the elephant to accomplish. Under the conditions indicated, therefore, opportunity to test the protective system on a vast scale, and under the most favourable circumstances, has been afforded; and the result has proved, not only to the interests of the nation at large, but in a great degree to the protected interests, most disastrous; so much so, indeed, that no higher testimony of the great natural resources of the country, and the indomitable energy of its people could be presented, than the fact that they have for the last six years been enabled to endure such a system, and still maintain an existence. It is obviously impossible, within the limits of a single essay to even attempt to put on record a complete statement of the evidence confirmatory of the above assertion; but, as indicative of the nature of the proof available, a few points will be here submitted.

In the first place, the whole protective system, as carried out in the United States, rests upon a basis that is in itself a libel and an offence against freedom and civilisation, and at war with the best interests of humanity; inasmuch as it assumes that a body of men, mostly lawyers, and selected for office without any reference whatever to their knowledge of finance, commerce, manufactures, or the laws of trade, can come together in an assembly called "Congress," and decide what the people shall produce a great deal better than the people themselves, and then attempt to carry out this assumption through the instrumentality of taxation; which, turn it and twist it as we may, is always in the first instance private deprivation; and taxation too, not in order to produce revenue to defray the expenditure of the State, but solely and exclusively for the benefit of certain individuals or classes.

Again, it is certain that the highest right of property

is to exchange it unobstructively for other property. Any system of law, therefore, which either by direct ordinance or by discriminating taxation declares that A shall trade with B, but shall not trade with C, can hardly be distinguished from slavery upon any principle, for both systems tend to deprive the individual of a portion of the fruits of his labour without compensation—slavery taking from the labourer all the results of his labour, over and above his food and clothing, for the benefit of one master, while the protective system takes away by taxation a portion of the earnings of labour for the benefit of certain privileged classes. It is true that the discriminating system of taxation termed "protective," *lucus a non lucendo*, promises an individual compensation for the deprivation somewhere in the future—the same as slavery promised the negro compensation in the "world to come." But, of the two, the latter was most sure of fulfilment, for it is evident that the former is deprivation and diminution of abundance; and out of nothing, nothing comes!

In short, the whole animus of our modern civilisation is to obtain more with less; to get a larger product with a smaller effort; to secure equal results with less labour. But the protective system in the United States, whatever it may be elsewhere, has sought to promote industry at the expense of the products of industry; and practically puts forth the theory that the less a nation has to pay for the products of other countries which it desires and will use, the worse it is off; and that therefore if a nation could obtain its foreign food absolutely for nothing, it would certainly be ruined.

Looking at the situation from a point of view even more practical, we encounter first the stupendous fact that in the United States at the present time, under the joint influence of protective duties and a debased currency, the tools and instruments made use of by the people in the work of production—meaning thereby their machines for spinning and weaving, rolling and hammering, pumping and blowing, drilling and planing—their iron, their steel, their railroad-bars, their loco-

motives, their ships and their steamers, cost more than in any other civilised nation; and as whatever increases the cost of tools and machinery increases the cost of all that the tools and machinery make, there results the heaviest tax upon the industry and development of the country which the mind of man could ever conceive and make operative. It is also obvious that this species of taxation falls heaviest upon that class of the population (the labourers) which is least able to sustain it; for all that is added to the cost of the tools and instrumentalities of production diminishes the proportion of the thing produced which can be appropriated in the shape of wages to the payment of labour; and hence it is that at the present time, although wages are nominally high, and the material resources of the country are wholly unimpaired, labour in the United States is probably more dissatisfied and uneasy than at any former period; and strikes, trade-unions, and organisations to increase wages and limit the hours of labour are daily becoming more frequent and formidable.

A recent investigation, made in one of the large manufacturing cities of the Atlantic States, of the comparative prices of labour, rents, and commodities in 1860 and 1871, afforded the following results:—

Wages.—The lowest class of unskilled labour which in 1860 earned one dollar (gold) per day, or *six* dollars per week, received, in July, 1871, *ten* dollars currency per week, or, in gold at 112 (the average market price), $8 80; showing an increase on a gold basis in eleven years of $46\frac{6}{10}$ per cent. Labour earning two dollars (gold) per day, or twelve dollars (gold) per week, in 1860, received, in 1871, twenty dollars currency, or seventeen dollars (gold) for the same service; showing an increase in eleven years of $46\frac{6}{10}$ per cent.

Rents.—Four and five rooms, renting, in 1860, for from $6 to $10 per month, rent, in 1871, for from $15 to $20 currency; or from $13 20 to $17 60 per month gold. Houses of six and eight rooms, renting, in 1860, for from $12 to $16 per month (gold), rent, in 1871, at from $20 to $27 currency, or from $17 60 to $21 12

gold per month; thus showing an increase in eleven years of from 40 to 120 per cent. on a gold basis.

The following table shows the comparative prices of some of the leading articles of family consumption in the locality referred to in 1860 and 1871 respectively:—

	1860.—GOLD.		1871.—CURRENCY.	
	Dols. Cents.		Dols. Cents.	Dols. Cents.
Flour, best quality...	6 50	... ...	9 50	
Butter	0 22	... ...	0 35	to 0 41
Meat—Beef	0 12	... ...	0 20	„ 0 25
„ Mutton ...	0 8	... ...	0 17	„ 0 20
„ Pork	0 9	... ...	0 17	„ 0 20
Potatoes, 60 cents to	0 90	per bushel...	1 25	to 1 50 per bushel.
Coffee	0 15	per lb. ...	0 25	„ 0 30 per lb.
Tea...	0 75	„ ...	1 00	„ 1 25 „
Sugar	0 8	„ ...	0 11	„ 0 14 „

A comparison, carried out in detail, of the weekly expenditure for the above articles and for rent, by a workman with a family of three dependent upon him, and receiving $12 a week (gold) wages in 1860, and $20 currency per week in 1871 for similar service, shows that the purchasing power of the $12 in 1860 was worth about *two* per cent. *more* than the $20 paid in 1871; thus proving that the increase of wages paid in currency for labour in 1871, as compared with the wages paid in gold in 1870, had, through the corresponding increased price of rents and commodities, been productive of no benefit whatever to the labourer.

As might naturally have been expected from the greatly increased cost of production recently experienced in the United States, the country has become one of the best of markets for foreign produce to sell in, but one of the very poorest to buy from; and, as a consequence, imports of late years have tended to increase without a corresponding increase of ordinary domestic products. Thus, in 1860, the imports (excluding corn and bullion) were $353,616,000 (total, $373,100,000), or at the rate of $11 22 *per capita* of the whole population; and the exports and re-exports (excluding corn and bullion), $317,557,000, or at the rate

of $10 08 *per capita.* In 1871, however, the imports (exclusive of corn and bullion) were $519,593,000, or $13 68 *per capita;* and the exports and re-exports (gold valuation, and excluding corn and bullion), $442,960,000, or $11 97 *per capita.*

Again, during the years 1856-57-58 the average annual value of all the products exported from the United States was $314,000,000; of which the products classed as domestic manufactures (exclusive of all products of agriculture, the sea, and the forest) constituted about 10 per cent. (9·9). In 1870-71 the total export of domestic commodities was returned at $562,518,000 (currency valuation), and as made up of the following articles:—Breadstuffs, $79,379,000; raw cotton, $219,327,000; furs and fur skins, $1,590,000; naval stores, $1,694,000; oilcake, $4,160,000; petroleum and other oils, $37,600,000; bacon and hams, $8,126,000; cheese, $8,752,000; lard, $10,563,000; pork, $4,302,000; beef, $3,825,000; leaf tobacco, $19,908,000; lumber, $11,918,000; tallow, $3,025,000; quicksilver, $732,000; seeds, $2,330,000; fish, $1,297,000; other raw materials—coal, ashes, ice, fruits, &c., $7,735,000: total, $434,363,000. If to this we add the domestic corn and bullion exported ($84,505,000) and an exceptional export of munitions of war ($9,000,000), due to the temporary inability of the French authorities to readily purchase elsewhere, the total becomes $528,868,000, leaving the comparatively small sum of $33,450,000 to represent the exported surplus product of all the mechanical and skilled industries of the country. The manufacture of metals, of textiles, of glass and earthenware, books, paper, drugs and chemicals, fancy articles and "Yankee notions," leather, hats, boots, and shoes, india-rubber goods, ships, agricultural implements, sewing machines, and machinery of all kinds, soap, candles, salt, sugar, confectionery, distilled spirits, wearing apparel, carriages, railroad equipments, and the like—a sum absolutely less than is at present annually paid by the three leading railway corporations of the country for equipment and running expenses; and constituting but 5·9 per cent.

(currency valuation) of the whole value annually exported as compared with a proportion of 9·9 per cent. (gold) of similar products annually exported fourteen years previously, when the population of the country was smaller by at least *ten millions*.

Contrasting the decade from 1850 to 1860 (the period of low duties) with the decade from 1860 to 1870 (the period of high duties) we obtain furthermore the following suggestive figures :—

For the ten years ending June 30, 1860, the net imports of merchandise and specie (the re-export of foreign merchandise and specie not included) amounted to $2,694,000,000; while the exports of domestic produce and specie aggregated in the same time $2,754,000,000, or $60,200,000 in excess of net imports. The increase of imports during this period was from $194,000,000 in 1851 to $335,000,000 in 1860; and of exports from $196,000,000 in 1851 to $373,000,000 in 1860.*

For the four years ending June 30, 1865, the domestic exports of the United States averaged $30,000,000 below the imports; the average imports for this period having been $253,000,000, and the average exports $223,000,000.

During the year first succeeding the termination of the war the net imports increased from $216,000,000 to $430,000,000, or nearly double; while the domestic exports rose from $198,000,000 to $417,000,000, an in-

* In detail, the exports in each year, from 1851 to 1860 inclusive, were as follows :—

	Imports, less re-exports.	Domestic exports.
1851	$194,500,000	$196,600,000
1852	195,600,000	193,300,000
1853	250,400,000	213,400,000
1854	280,800,000	253,300,000
1855	233,000,000	246,700,000
1856	298,200,000	310,500,000
1857	336,900,000	338,900,000
1858	251,700,000	293,700,000
1859	317,800,000	335,800,000
1860	335,200,000	373,100,000
Total, 10 years	$2,694,100,000	$2,754,300,000
Excess of exports		60,200,000

crease of 117 per cent. This large advance was, however, exceptional, and due to the reaction consequent upon the termination of hostilities, as is shown by the fact that neither the exports nor the imports attained so high a figure again until four years subsequent, or 1870. For the ten years ending June 30, 1870, the total net imports of the United States reached $3,363,000,000, or $668,000,000 above the aggregate of the previous decade, showing an average annual increase on the previous ten years of $66,800,000. On the other hand, the domestic exports aggregated $3,117,000,000, or $363,000,000 more than for the decade preceding the war, an average increase of $36,300,000 per annum.*

In these figures, therefore, we have the most conclusive evidence that the change in American industry in consequence of the war and its accompanying legislation has been in the direction of an impairment rather than increase of ability to compete successfully with foreign nations: the exports during the decade preceding the war rising from $196,000,000 the first year to $373,000,000 the last, an increase of $177,000,000; while for the ten years included from 1861 to 1870 the increase was only $38,000,000.

The same result is exhibited even more clearly by contrasting specifically the trade between the United States and certain other countries, as it existed before the war and during the year 1869-70.

* The detail of the imports and exports of the United States for each year from 1861 to 1870 inclusive—specie included, and the exports being reduced to gold values—is as follows:—

	Imports, less re-exports.	Domestic exports.
1861	$332,000,000	$382,800,000
1862	261,300,000	213,200,000
1863	226,800,000	240,400,000
1864	309,300,000	241,900,000
1865	216,400,000	196,200,000
1866	430,700,000	417,100,000
1867	391,100,000	334,300,000
1868	351,200,000	352,700,000
1869	412,200,000	318,000,000
1870	431,900,000	420,500,000
Total	$3,362,900,000	$3,117,100,000
Excess of imports	245,800,000	

GREAT BRITAIN.

	1860.		1869.
Exports, domestic produce	$196,260,000 gold	...	$163,195,000 currency.
Imports	138,596,000 „	...	201,799,000 gold.

SPANISH WEST INDIES.

	1860.		1869.
Exports, domestic produce	$13,713,000 gold	...	$15,479,000 currency.
Imports	41,450,000 „	...	69,903,000 gold.

SWEDEN AND SWEDISH WEST INDIES.

	1860.		1869.
Exports, domestic produce	$1,513,876 gold	...	$166,974 currency.
Imports	532,984 „	...	1,103,611 gold.

MEXICO.

	1860.		1869.
Exports, domestic produce	$3,338,739 gold	...	$3,836,000 currency.
Imports	6,935,872 „	...	7,232,000 gold.

SANDWICH ISLANDS.

	1860.		1869.
Exports, domestic produce	$637,489 gold	...	$700,962 currency.
Imports	367,859 „	...	1,298,085 gold.

CANADA.

	1860.		1870.
Exports, domestic produce	$18,667,000 gold	...	$17,765,000 gold.
Imports	23,851,000 „	...	39,507,842 „

In respect to the remarkable change in the trade between the United States and Canada shown in this table, Mr. J. N. Larned, in a "Report on the State of Trade between the United States and the British Possessions in North America," made to the Secretary of the Treasury, February, 1871, says :—

"*Down to the close of* 1862, *when the derangement of the currency and the inflation of prices, and the disturbance of industries, produced by the war, began to work their effects, we had been selling the provinces largely in excess of what we bought from them. The aggregate of their imports from us during the nine years ending with* 1862 *—eight of which were the years of the Reciprocity Treaty—was* $172,641,372. *The aggregate of our imports from them in the same period was* $133,230,000. *The balance of trade in our favour was* $39,410,899 ; *but in* 1863 *the balance shifted to the other side, and ever since the*

preponderance against us has steadily and rapidly increased, until now we are exchanging commodities for little more than one-half that we buy from the British provinces. Indeed, the exchange of our own productions covers less than one-half of the amount that we are importing from the provinces.

"Comment upon the unsatisfactoriness of the state of trade seems to be quite unnecessary. The adverse balance is vastly too great to be analysed into commercial 'profits,' as an apparently adverse balance of trade often is; and, moreover, the mode in which it is here arrived at, by comparison of the import entries in each country from the other, excludes almost all the elements of such analysis."

But the most terrible blow which the events of the last ten years in the United States have inflicted upon any interests have fallen upon the business of ship-building and the American commercial marine—both foreign and domestic. On proof of this, the following comparison of the official returns for the years 1860 and 1870 is submitted; attention being at the same time called to the circumstance that during the period under consideration the population of the United States has increased at least twenty-three per cent.:—

Total registered and licensed tonnage:

1860-61	5,539,813
1869-70	4,246,507

Tonnage employed in the coasting trade, which by law is protected from all foreign competition:

1860-61	2,657,292
1869-70	2,595,328

Tonnage employed in the cod-fishery:

1860-61	127,310
1869-70	82,612

Again, it appears from statistics as published during the present year (1871) by the Treasury Department, that prior to 1862 the tonnage of American vessels entered at the ports of the British Empire was double the tonnage of British vessels entered at ports of the United States; but that since 1868 the tonnage of British vessels entered at ports of the United States

has been double the tonnage of American vessels entered at ports of the British Empire.

In 1860 the number of entries in the trade between the United States and Brazil comprised 345 American and 118 foreign vessels; in 1869 this proportion had changed to 114 American and 359 foreign. In 1860 there were 68 entries of American vessels in the trade between the United States and the Argentine Republic, and 8 foreign; in 1869 the proportion was 39 American and 33 foreign. In the direct trade with Great Britain, the entries for 1860 were 924 American and 613 foreign; in 1869 the figures were 365 American and 1,391 foreign.

And it is furthermore a matter of not a little significance that while for the calendar year 1869 about 73 per cent. of all that came in and went out of the country was carried in foreign vessels, or vehicles, for the calendar year 1870 the proportion thus carried had increased to over 79 per cent. In all history it would be difficult to find a record where any nation has experienced in so short a time commercial changes of the magnitude indicated, and yet continued to exist with any degree of national strength and prosperity.

It thus admits of demonstration that the highly protective policy which has characterised the fiscal legislation of the United States since 1860, conjoined with the use of an irredeemable and fluctuating paper currency, has been productive of effects directly opposite and antagonistic to what its authors prophesied and anticipated; and that the country thereby, so far from having been made commercially and industrially independent, has been really rendered more dependent than at any former period—the flag of its commercial marine having been almost swept from the ocean; the power to sell in foreign markets the products of its manufacturing industries having greatly diminished; while the importation of the products of foreign competitive industries has continually and most remarkably augmented.

Furthermore, the export outlet for the surplus products of the so-called manufacturing industries having

been obstructed or "dammed up," as it were, by the high cost of domestic production, the growth of these same industries, which it is conceived to be the object of protection especially to extend and foster, has been in fact retarded and limited to the increased consumption consequent upon the increase of population, now about one million per annum. But in every progressive civilised country—and especially in the United States, where brain and fingers are unusually active—the power of what may be termed manufacturing production, through the continued invention and use of labour-saving machinery and processes, always increases in a far greater ratio than population; and in consequence of this, the production of many articles in the United States during the last five years has continually tended to gain upon consumption; and the surplus thus occasioned, not being allowed to flow out, at the ordinary range of prices, through the channels of export, has from time to time rolled back upon the domestic markets, depressing prices and paralysing industry, until consumption once more became equal to or in excess of production. And hence the curious social phenomenon often witnessed of late in the United States of the representatives of nearly all the great leading branches of manufacturing industry—the manufacturers of cotton, of wool, of boots and of shoes, of coal, of salt, of iron, of lumber, and of paper—coming together in conventions and resolving that each of these specialities was producing too much, and that it was therefore necessary to diminish the hours and the opportunities for labour—as if there could be any such thing as over-production as long as there are hungry to be fed, naked and cold to be clothed and sheltered; or as if an abundance of the good things of this life could be ever, and under any circumstances, anything but benefit and blessing.

In view of these conclusions it is not to be wondered that the export of American manufactured cottons, which in 1860 approximated $11,000,000 (gold valuation), should have declined in 1870 to $3,527,000 currency; and in 1871 to $2,501,000, or

but little more than half the value of the oil-cake annually exported from the country. How full of meaning, moreover, is the following extract from the recent official report of Mr. Leasued on the state of trade between the United States and the British Possessions in North America! Concluding a review of the commercial relations of the United States and Canada, he says: "*The range of the Canadian market for American productions appears to be lamentably limited, and almost confined to the rawest products of agriculture, with hardly an appreciable opening for the benefit of our skilled labour in any department, and this too in the case of the nearest neighbours we have upon the globe.*"

That the results thus described, moreover, *are not due* to any burdens necessarily entailed upon the nation by reason of the war, and that they are directly and immediately referable to high protective duties and an imperfect currency, is proved by the fact that the whole present annual charge for interest on the public debt is defrayed by the taxes imposed upon distilled spirits, fermented liquors, tobacco, banks and bankers, and from stamps; not one of which necessarily falls upon labour, or increases the cost of manufacturing production in comparison with other nations.

Neither can local taxation in general be assigned as an essential element in producing the results referred to; for heavy as are these local taxes, their increase in consequence of the war has fallen mainly on the exchanging population of great towns and cities, rather than on the producing population of the towns and villages of the country; an assertion that finds proof in the circumstance that while the *per capita* taxation of the entire State of New York is the largest of any State in the Union, except Massachusetts, the *per capita* taxation of so much of her population as lies outside of her seven largest cities, and represents three-fourths of the people of the State, runs down to a rate not much in excess of the average rate current before the breaking out of the war.

We are accustomed, as we read of the sumptuary laws

and arbitrary restrictions on commerical and personal freedom in years long past to congratulate ourselves, as it were involuntarily, that we live on a higher and different plane, and that among nations calling themselves civilised and enlightened, such things are no longer possible; but if a fraction of the absurdities and iniquities which have characterised during the last eight years in the United States the so-called "protective system" could be brought together and properly depicted, they would form a chapter rarely if ever equalled in the record of past experience.

Thus, in respect to the laws of the United States controlling navigation and ship-building: a foreigner desiring to carry on trade between the United States and some other country may buy such vessels as best suit his requirements, at the place where he can obtain them cheapest, and may then enjoy every privilege granted to American citizens, with the exception of the use and protection of the American flag (which he does not need) and the right to pay exorbitant taxes, national and local, on everything entering into the construction, repair, and management of his vessels, and on the other forms of working capital connected therewith. A citizen of the United States, on the other hand, who desires to use his own capital and his own ports, and employ the labour of his own countrymen in the same trade as the foreigner, is not allowed to do so as an American citizen unless he purchases or builds his own ships in his own country; and as previous legislation, by discriminating taxes, has so enhanced the cost of labour and material as to render domestic construction unprofitable, the American, by the act of his own government, is thus virtually prohibited from engaging in any foreign commerce; and the result, as we have before stated, is, that at present eighty per cent. of all that comes in or goes out of the country by sea is transported in foreign bottoms.

The following case, occurring during the past year, is a further illustration of the absurdity of the existing commercial regulations of the United States. A citizen

of Baltimore purchased a foreign-built vessel, wrecked upon the American coast, and by spending a large sum upon her in re-construction and repairs, rendered her again seaworthy and navigable. He then, being naturally desirous of employing his capital in the most profitable manner, arranged for an outward cargo; but when the vessel was ready for sailing, she was refused clearance papers by the collector of the port on the ground that the vessel was of foreign construction, and that, therefore, the only use the American owner could make of what he had originally lawfully purchased under the laws of the United States, was to sell her to a foreigner. The decision being referred to the Secretary of the Treasury, the latter functionary decided, that under existing laws for the "protection" of American shipwrights, the vessel might take an outward cargo from Baltimore to a foreign port, under the American flag, but that she would be obliged to return in ballast to the United States, or be subject, with her cargo, to forfeiture.

Again, if a vessel becomes damaged upon her voyage, and is repaired in a foreign port—even only to an extent sufficient to enable her to return home in safety—her owner or master, on entering an American port, must make entry of such repairs at the Custom House as an import, and pay a duty on the same equal to one-half of the cost of the foreign work or material; and this law would even extend so far as to include boats that might be obtained at sea from a passing foreign vessel, in order to make certain the safety of the crew or passengers of the American vessel.

The following is another curious illustration of the working of the American protective system in respect to the shipping interest, derived from actual experience during the past season. The owner of a Dutch vessel entered at Boston, ignorant of the peculiar features of the tariff of the United States, put on board, at the foreign port of clearance, a quantity of sheet copper, sufficient to sheath the bottom of the vessel, it being designed to have the work done in the United States upon her arrival, in order to save time, and put the

vessel in good order for her return voyage. The agent, advised of this arrangement, referred the matter to the officials at the Custom House for instructions, only to learn that the new sheathing metal could not be used in the United States, as proposed, without paying a duty of 45 per cent., while the copper taken off the ship's bottom must also pay a duty as old copper. The agent signified his willingness to pay the latter, and sell the old metal for what it would bring, but requested to be allowed to land the new copper for export, as it would be carried out by the same vessel that brought it in. He was informed, however, that the bond for exportation required for its cancellation a certificate of the landing of the bonded goods in the foreign port for which its export was declared, which could not be obtained if it was entered at the port of destination *upon* and not *in* the ship carrying it. The consequence was, that when the ship discharged at Boston, she sailed for Halifax, Nova Scotia, carrying her sheathing copper with her, and being there coppered by the shipwrights of the British provinces, returned in ballast to Boston for next cargo; all this costly proceeding being cheaper than the payment of 45 per cent. duty for the privilege of employing American workmen to take off the old sheathing and put on the new.

The subject of copper sheathing having been thus alluded to, the influence of recent tariff legislation in the United States upon the price of copper, and manufactures of copper, may be appropriately related. Upon the south side of Lake Superior, within the territory of the United States, there are vast deposits of copper of unparalleled richness; and in addition to these there are other extensive mines of copper in Tennessee, California, and other parts of the country, In 1869 the owners of the Lake Superior mines, finding the price of copper depressed, and without caring to inquire as to the cause, conceived the idea that an efficient remedy was available in an increase of the tariff. Congress, therefore, in February, 1869, in accordance with the request of the afore-mentioned parties, and with the declared purpose of

promoting and protecting the copper industry of the United States, largely increased the duties on imported copper, copper ores, and upon all imported manufactures of copper. The immediate effect of the law was to prohibit the importation of the foreign ores of copper—mostly carbonates—into the United States, which, up to this time, had been used most profitably in connection with the smelting of American ores—namely sliciates—and so close up and substantially destroy several great smelting establishments at different parts of the country, and still further diminish the trade of the United States with foreign nations. In framing the Bill, furthermore, as the expression "all manufactures of which copper constitute a chief component" was used without limitation, the duty was unintentionally greatly increased upon "bronze leaf" and "Dutch metal," to the great detriment of the manufacturers of paper-hangings, and upon "blue vitriol" (sulphate of copper), to the like detriment of dyers of textiles. But a further result, which was not looked for, occurred; for the advance in the tariff, instead of occasioning an advance in the price of ingot copper, was followed by a reduction—the price before the passage of the Bill having been 26 and 27 cents per pound, while immediately after it fell to 24 cents, and subsequently to 21 and 22 cents. In fact, the projectors and enactors of this increased tariff on copper had overlooked the point, that the United States, on the whole, was a copper exporting rather than a copper importing country; and that the attempt to regulate the domestic price of an article of which in its unmanufactured states the country was producing a surplus, was on its face an absurdity. But the copper consuming interest of the country was no less given over to the control of the copper producers; and what could not be effected directly by the tariff, was to a certain extent accomplished indirectly through its aid by other methods. Thus, in May, 1870, the price of copper having fallen in the American market, by reason of over supply, to 18½ to 19 cents per pound, the Lake Superior mining companies controlling the

domestic market and supply, agreed to ship the existing market surplus, about 3,000,000 pounds to Europe, and sell it there at a loss of three cents per pound, in order that they might advance the price on the amount required to meet the necessities of the American consumer, about 26,000,000 pounds per annum. And this having been done, the price of ingot copper in the American market advanced from 18½ to 19 cents per pound, in May and June, 1870, to 20 and 21 cents in August, and 22½ cents in September and October; the market at the same time, by reason of the tariff being so under the control of the American copper producers, that no importations by outside parties were possible. In this way the law was made the support of a speculative movement, which taxed the consumers of the country from $500,000 to $700,000.

The current market prices of ingot copper in the United States and Europe being known, and also the annual consumption of ingot copper in the United States, it is easy to calculate the whole amount of tax annually paid by the people of the latter country on this single article, in order to protect "home industry." Thus, for the year 1870, the current market price of ingot copper in New York and London were approximately as follows:—

New York—Lake Superior ingot	22½ cents currency.
London—Best selected, similar to the above .	14¾ cents gold.
Annual consumption in the United States,	26,000,000 lbs.

But the amount of taxation and resulting profits on copper in the United States does not stop here; for this article is of no practical use until it is manufactured; and the American manufacturers have a protection in all their products of 45 per cent. *ad valorem*, or from 9 to 10 cents per pound additional to the protection of *five* cents on pig and ingot copper. The result is shown by the significant fact, that while in Great Britain "sheet copper" ranges from 2¾ to 3 cents in price above "pig," in the United States there is a difference of from 9 to 15½ cents between the manufactured and

unmanufactured article.* The whole tax, therefore, paid annually by the consumers of copper to the United States by reason of the tariff cannot be estimated at less than $4,500,000; while the revenues to the State, from the import of an article on which duties almost prohibitory are levied, are, of course, merely nominal. Thus, the whole amount received under the high war-rates existing previous to 1869 on copper in the form of ore, pigs, sheets, bars, rods, spikes, and yellow metal was $111,943; but under the increased rates provided in 1869 the annual revenue from imports dwindled away to $30,683—a smaller amount probably than the additional price which the government has had to pay for its own purchases and consumption of copper for military and naval purposes.

Take another illustration of the magnitude and crippling effect of the present indirect taxation levied on the people of the United States through the tariff for the benefit of small class interests, and to the detriment alike both of the Treasury and of the people.

Formerly the tops or uppers of women's and children's shoes were made exclusively of leather—morocco or kid; but it was discovered that certain peculiar fabrics of cloth, called "lasting" and "serge," made of the hairy wools (which are not produced to any extent in the United States), were much better adapted for the manufacture of this variety of shoes than leather. The substitute became exceedingly popular in the United

* The following table shows the comparative prices of ingot and manufactured copper in New York and London, in January, 1870:—

	N.Y. Prices. *Cur.*	London Prices. *Gold.*
Braziers' sheet copper, 16 oz. and over	32c.	15½
Do. do. do. 14 „	35c.	16
Do. do. do. 12 „	35c.	16⅛
Do. do. do. 10 „	38c.	17
Locomotive fire-box sheet	32c.	16¼
Copper bolts	32c.	15⅞
Ships' sheathing copper	33c.	15⅜
Ships' yellow metal sheathing	22c.	13
Lake Superior ingot copper	22½c.	—
Best selected, similar to above	.	14¾
Vermont pig copper	21c.	—
Chili pig, similar to above	.	13⅜

States; and the shoes thus made being lighter, cheaper, more elastic, and equally durable, were universally adopted. Being, moreover, particularly adapted to warm latitudes, a very large export trade in these shoes sprung up between the United States, South America, and the West Indies. But in an evil day a few men in one of the New England States conceived the idea that they could make a little money out of the business of manufacturing lasting and serge, and in order to help them, Congress put on a duty sufficient to raise the price of all the lasting and serge used in the country to the extent of over $1,000,000, and thereby increased to the same extent the price of all the women's and children's shoes, into which lasting and serge enter as constituents; or in other words, in order to protect Americans, the National Government has become a *de facto* partner in two factories in New England, runs them at an expense to the nation of from $1,000,000 to $1,500,000 per annum, or about the amount required to defray the expenses of the whole foreign intercourse of the country, and taxes to an equivalent amount the shoes of the women and children of the country. The shoes, furthermore, not being manufactured and sold as cheaply as formerly, the export trade has become practically extinguished.

But there is another incident connected with this tax that deserves to be handed down to history. Bastiat, in one of his works, gives a petition from the manufacturers of candles, gas, oil, lamps, &c., requesting the Legislature to direct the shutting up of all doors and windows, in order that the light of the sun may not penetrate to the interior of shops and houses, to the prejudice of the several manufacturers above indicated. No one, of course, in reading this petition would at first imagine that it is anything more than an extravagant burlesque; or if he recollects that in olden time, when it was first proposed to use mineral coal in England, the leather manufacturers petitioned Parliament against it, on the ground that if coal was used there would be fewer trees grown and felled, and, therefore, a smaller

supply of bark for tanning; he, nevertheless, congratulates himself that things are looked at nowadays more sensibly. But it was reserved for our day and generation to have Bastiat's petition re-written in earnest, and the views of the English tanners in respect to the use of coal some hundreds of years ago again offered as the basis of legislation to a State calling itself civilised. Thus, when in 1870, the Commissioners of the Revenue by reason of the views above expressed, recommended to Congress the removal of the duties imposed upon the importation of lasting and serge, the Morocco Manufacturers' Association of the United States addressed by their secretary the following letter to a member of Congress of the name of Kelley; which letter Mr. Kelley had the impudence to publish:—

"To the Hon. W. D. Kelley, M.C.

"DEAR SIR,—I enclose you herewith a remonstrance signed by the morocco manufacturers against the removal of the duty on serge goods, as recommended by Commissioner Wells. It is only necessary for me to call your attention to the fact that serges are now selling at $1·20 per yard, that six and three-quarters feet of morocco is considered equal to one yard of serge, and that the morocco which would be used to compete with it we cannot afford to sell for less than 26 cents per foot, so that with the present duty $1·20 of serge will go as far as $1·75 of morocco.

"The 'Morocco Manufacturers' Exchange' have read your review of Commissioner Wells' report with the greatest pleasure, and in connection with the noble stand taken by you in favour of 'protection to American industry,' have considered that it was but necessary to lay this matter before you to secure your interest, and thus prevent the consummation of this great outrage upon one of the largest branches of American industry.

"Truly yours,

"EDWD. S. DEERMER,

"Secretary Morocco Manufacturers' Exchange.

"*Philadelphia, Jan. 20th,* 1870."

Now the striking fact admitted in this letter is, *that* $1·20 *of serge will go as far in making shoes as* $1·75 *of morocco;* and although the shoe manufacturers, and the women and children of the United States, prefer

serge to morocco, as making a more graceful, healthy, light, and withal much cheaper shoe, Congress is called upon to intervene, and make the country use what it does not want, at an expense of $1·75 for what $1·20 would do better; or, in other words, the sunlight is to be shut out, that lamps and candles may find a better market, and the people be made to pay for what is entirely useless.*

Of the manner in which the protective system as at present carried out in the United States effects an absolute waste and destruction of capital and labour—the two things which of all others the country can least afford to spare—our space will allow of but a single illustration.

The United States is singularly rich in facilities for the manufacture of salt. At Pomeroy, on the Ohio river, salt water of great strength and purity flows in abundance, and in such close proximity to thick seams of coal elevated high above the water level, that the fuel is supplied to the furnaces by wagons almost from surface excavations. The furnaces, furthermore, are so close to the river, that boats can be loaded with the manufactured salt along side the warehouses, and thus effect transportation to market at the minimum of expense.

* As illustrating the readiness with which a mind capable of originating and defending absurdities like the above in respect to Protection adopts with equal readiness like absurdities in respect to currency, and, indeed, all other economical subjects, it may be mentioned that the same legislator—Mr. Kelley—who published the above referred-to letter, in a speech about the same time on the floor of Congress, seriously congratulated the country that the irredeemable fluctuating paper in use in the United States "*was, beyond the sea and in foreign lands, fortunately not money*; and furthermore attributed the progress and development of the country to the circumstance that the same money was *non-exportable*." The off-hand reply at once made to this absurd declaration by Mr. Garfield, of Ohio, also deserves to be put on record for its piquancy and effectiveness. He said:—"It is reported, Mr. Speaker, of an Englishman who was wrecked upon a strange shore, that wandering along the coast he came to a gallows, with a victim hanging on it, and that he fell on his knees and thanked God that he at last beheld a sign of civilisation; but this is the first time I ever heard a financial philosopher express his gratitude that we have a currency of such bad repute that other nations will not receive it. He is thankful that it is not exportable. We have a great many things in such a condition that they are not exportable—'mouldy flour,' 'rusty wheat,' 'rancid butter,' 'damaged cotton,' 'addled eggs,' and spoiled goods generally; but it never occurred to me to be thankful for the putrescence."

At Kanawha, Virginia, the same wells furnish not only brine of excellent quality, but also inflammable gas, which flows with such force and quantity as not only to lift the salt water into tanks at considerable elevation, but also to subsequently evaporate the brine by ignition under the furnaces without the necessity of resorting to any other fuel whatever—thus producing salt at only a nominal cost, and giving to the manufacture at this point an advantage even over solar evaporation, inasmuch as all expense of pumping the salt water into the vats in the first instance is entirely obviated.

At Syracuse, in the State of New York, where over 8,000,000 of bushels of salt are manufactured annually, the brine is pumped and delivered to the manufacturers by the State free of all expense, except a small toll of *one* cent per bushel of the resulting product. In Louisiana, in close proximity to the Mississippi, there is a large deposit of rock-salt. At Saganaw, on Lake Michigan, salt is evaporated by the combustion of the refuse of the mills engaged in the manufacture of lumber —the salt-works and the saw-mills being often run as one business. In the territory of Utah, on the line of the Pacific Railroad, rock-salt in great abundance is also reported; and in the Gulf of California, just north of the 26th parallel, there is an island — Carmen's — within the territorial jurisdiction of Mexico, where salt can be obtained in inexhaustible quantities for the mere expense of shovelling up and loading upon vessels; the locality being so easy of access from San Francisco that it would seem to have been designed by Providence to be the great natural repository and source of supply for the whole Pacific coast of the United States.

It seems clear, therefore, that if under such circumstances the domestic production of salt could not be made a reasonable success, the obstacles must be of a character superior to the influence of legislation to remedy; and, in fact, before the war, when the duty on the import of foreign salt was nominal—$2\frac{1}{2}$ to 3 cents per bushel in bulk—the business was everywhere (when managed with ordinary skill and economy) reasonably

profitable, and continually extending; and after the war, when the cost of production had undoubtedly greatly increased, there was so little need of protection, that the export of American salt to the British provinces, in competition with free foreign salt, was in 1868 in excess of 500,000 bushels.

But in the general advance of the tariff consequent upon the breaking out of the war salt participated, the duty being raised first to 12 and 18 cents per 100 pounds, and subsequently to 18 and 24 cents per 100; or to from 100 to 150 per cent. *ad valorem* on the cost in foreign markets. And in conjunction with this great increase of duties, two other circumstances combined to still further favour the American producer; the first of which was, that the celebrated salt-works of Kanawha, Virginia—before described—were temporarily destroyed by the Federal troops in order to prevent their working by the Confederates; and, *second*, the blockade of the Mississipi, which prevented foreign salt from being distributed through that channel to the western country.

The price of salt, therefore, at the most critical period of the war, advanced with great rapidity; the same article which sold in 1860 for $1 50 per barrel selling subsequently as high as $5 per barrel, and increasing the profits of the producers to an almost unprecedented extent in the history of industrial transactions. In the case of one company located at Syracuse, New York, the record—too remarkable to be passed by unnoticed—is substantially as follows:—The company was formed in 1860, by leasing and consolidating all previously existing interests, at a valuation of $3,200,000, or from 20 to 30 per cent. above their true value, on which an annual interest of 12 per cent. was guaranteed. The stockholders then contributed $160,000 as a working capital. The first thing that was done by the new organisation was to discontinue and abandon a very considerable proportion of the leased property, but upon the accepted valuation of which they have nevertheless continued to pay, from that time to this, 12 per cent. per annum, as per agreement, on $384,000. The first dividend was

made in 1861, of 7 per cent.; after that, the company paid in cash as many as six dividends in one year, one of which was 12½ per cent. Subsequently a stock dividend was made of 100 per cent., increasing their working capital thereby to $320,000; and in 1870 a fresh stock dividend, which increased the $320,000 to $1,200,000, with additional property, estimated at $600,000; on all of which regular dividends have been paid, without the assessment of the stockholders of a single dollar beyond the $160,000 first contributed. And it is also to be noticed, as showing how completely the fiscal legislation of the country has been given over to these and kindred monopolies, that at the very time when the large profits referred to were being accumulated and distributed, this same company, with others, petitioned Congress (in 1866) to further increase the duties on foreign salt from 18 and 24 cents to 30 and 42 cents per hundred, on the ground that it was necessary to still further protect this branch of American industry from foreign competition; and in accordance with the prayers of the petitioners, the House of Representatives did vote to increase the duties from 18 and 24 cents to 24 and 36 cents—*yeas*, 86; *nays*, 32. The bill, however, by non-concurrence of the Senate (mainly for want of time), failed to become a law; and the duties have since remained as they were at the termination of the war.

And now there remains to be noticed an economic result of the high protection of this specific article, which is not a little curious, but not exclusive or uncommon in its character. For as the enormous profits realised became known, the business of manufacturing salt was greatly stimulated, and new wells were sunk and new evaporators erected without much regard to accessibility to market, strength of brine, adequacy of capital, or working experience. Trade also returned to its old channels. Coarse foreign salt, in demand by Western packers of beef and pork, again found its way up the Mississippi; while the Kenawha salt-works, destroyed during the war, resumed their former activity. The consequence has been that within the last two years the supply of

domestic salt has gradually become greater than the demand, while the wages of labour, transportation, and other items entering into the cost of its manufacture, being controlled by other and more general influences, not only have not declined, but in some respects have tended to increase, through the competition of the producers for skilled labour and other facilities. The weaker producers, therefore, crowded to the wall, have either failed or suspended operations, older and stronger companies have worked at a loss, or made no dividends, while the association of producers on the Ohio river, in order to prevent a competition that might prove ruinous, and to sustain the current prices of the West, have, within the last year, rented the whole of the great salt-works at Kenawha, Virginia, at an annual rental of $75,000; closed them up, and so withdrawn their product from the market, or, in other words, they are now paying $75,000 per annum, or the interest at 7 per cent. on over a million of capital, in order to prevent the manufacture of salt at a point where all the conditions have been so harmonised by Nature as to render its production more advantageous than at any other locality on the American continent, thus diminishing abundance and increasing scarcity.

But as already intimated, such results though extraordinary, are not uncommon or exceptional, the system of taxing the earnings of the whole country for the benefit of a special class being as unlimited in its operations as human selfishness; where the whole protective system, operating through the creation of an artificial and unnatural stimulus, in the end defeats itself by demoralising industry and wasting labour and capital. And for this reason it is, that although the tariff of the United States has been altered or amended *fourteen times* since 1860, and in almost every instance for the purpose of advancing the rates of duty, the individuals or associations relying on this stimulus and support of legislation are as unsatisfied as ever, and would even now, advance the duties to a still higher rate, if public sentiment would permit it.

And although the main argument advanced in the United States in support of protective duties, is that their enactment is intended to subserve a temporary purpose, in order to allow *infant* industries to gain a foothold and a development against foreign competition, there has never been an instance in the history of the country where the representatives of such industries, who have enjoyed protection for a long series of years, have been willing to submit to a reduction of the tariff, or have voluntarily proposed it. But on the contrary, their demands for still higher and higher duties are insatiable and never intermitted. The explanation of this was unwittingly given by one of their own number, Honourable Oakes Ames, the largest and most successful manufacturer of spades, shovels, and agricultural implements in the United States. In an examination under oath before the Commissioners of Revenue in 1868, touching the influence of tariff legislation, the question and answer was as follows :—

QUESTION.—"*What, according to your experience, was the effect of the increase of the tariff in* 1864 *on the industries with which you are specially acquainted?*"

ANSWER.—"*The first effect was to stimulate nearly every branch—to give an impulse and activity to business; but in a few months the increased cost of production, and the advance in the price of labour and the products of labour were greater than the increase of the tariff, so that the business of production was no better, even if in so good a condition, as it was previous to the advance of the tariff referred to. That was the effect on most articles with the manufacture of which I am practically acquainted.*"

If it be asked, why, as these and simlar facts have become known, a reaction has not before taken place among the people, resulting in a reduction of the tariff and a more sound system of fiscal administration, the answer is to be sought for mainly in two circumstances :—

First. The existence and extension of slavery, the war, and the struggle for the preservation of national existence; and, after the war, the problems of political reconstruction, and of the funding and consolidation of the debt, have since 1860 to the present time so completely

engrossed the attention of the people as to hardly admit of the public consideration of any other topics.

Second. Although the amount of indirect taxation levied upon the country through the tariff, and for which no benefit accrues to the national treasury, is largely in excess of all other taxation, the people, as a whole—especially the influential and business classes—are so much occupied with their private pursuits, and through the great natural resources of the country are so successful, that the necessity for the study and investigation of economic subjects has not yet seemed to them important. And under such a condition of affairs certain arguments and statements continue to be powerful for influence, which a little study and thought would show to be wholly fallacious.

Thus, the continual development and progress of the country, the uninterrupted flow of immigration, the extension of the railway system, the continued discovery of mineral wealth, are all pointed to and unblushingly claimed as the results, in a very great degree, of the protective system; while the inquiry as to whether the condition of affairs could not be made better, comfort increased, taxation lightened, and abundance augmented, is rarely entered upon.

As an actual example of this kind of reasoning, we quote the following from the columns of an influential protectionist journal, in one of the most enterprising cities of the State of New York, under date of November, 1870; the subject being proposed reforms on the tariff. It said:—

"Duties may properly be modified from time to time, as the interests of the country shall require; but any legislation tending toward free trade would not only be disastrous to the national credit but ruinous to the industries of the people. A high tariff is a revenue necessity, and must be a necessity, for many years to come. The protection it affords to our manufacturing industries is by no means the least of its advantages. Take a home illustration: Troy and the surrounding villages, including the city of Cohoes, have a population of more than 80,000 souls. The prosperity here enjoyed and the progress made in wealth and population were secured, for the most part, from our manufactures. Here are these scores of thousands of people requiring the necessities of life which agriculture supplies. And

a reliable home market for the farmers of all this section and for the agricultural producers of the great West is here afforded. The prosperity is not, therefore, confined to ourselves from the manufacturing industry, but is largely diffused throughout the country, even reaching to the vast prairies of the West."

Now a slight examination of the operations of the protective system of the United States would show: First, that so far from a high tariff being a necessity for revenue, that hardly a single article embraced under the tariff can be named in which an enhancement of the duties above 25 per cent. (the general average being above 40 per cent.), has not resulted in a comparative loss, rather than an increment of revenue; and second, that the largest proportion of the manufacturing industries which have increased the population and prosperity of the district in question are industries devoted to the production of articles which are not, and from the necessity of the case, cannot be to any extent imported, such as railway and street cars and omnibuses, stoves and furnaces, chairs and household furniture, coarse cottons, axes, malleable iron, boots and shoes, harnesses, firebrick, lime, collars and shirts, flour, paper, and paper boxes, brass and iron foundry-work to order, nails, spikes, and horseshoes, made under patents which forbid competition, and a great variety of minor articles, in respect to all of which the cost of production is greatly increased, and the consumption restricted by the heavy indirect taxation resulting from the maintenance of a protective tariff.

But the district is also an iron-manufacturing district, and it is in respect to this interest especially that the continuance of the protective system would be advocated as a necessity. The proportion which these sustain to the other manufacturing interests of the district is shown by the census returns of 1870 to be about *one-fourth;* the whole amount paid out in wages during the year 1870 by 728 establishments being returned at $3,975,524, of which eighteen iron-manufacturing establishments—pig, bar iron, Bessemer steel spikes, nails, and horseshoes—paid $982,133. But of the latter amount probably full

one-half was paid by establishments re-rolling old railroad bars, and making spikes, nails, and horse-shoes by machinery, which would certainly continue to work uninterruptedly, even though the tariff on imported iron was entirely abrogated; while the effect of the high cost of iron in restricting its manufacture in the United States is shown by the fact that the present *per capita* consumption of iron in the country is but little more than one-half of what it is in Great Britain and Belgium; and the manufacture of steel rails is calculated on a basis of foreign pig iron, imported under a duty of $7 per ton, and under a bounty—one and one-fourth cents per pound, or $28 12 per ton—so excessive and costly that it would be more profitable for the country at large to buy and burn up all the existing establishments, and pension all the workmen, rather than continue the business under existing arrangements; inasmuch as the tariff on the importation of steel rails almost completely neutralises and destroys for the consumer the benefit resulting from the invention of the Bessemer process, viz., that it makes steel rails cheap.*

* "The great merit of the Bessemer process is that it produces steel rails cheaply. It is in England, and in all Europe, as well as in America, a comparatively new industry. It has been rapidly successful, and the manufacturers of this country have the advantage of having saved the great expense and loss always incident to an experiment in manufacture. They waited until all that experience had been gained by others. They started their works under what seems to the Commissioner a sufficiently protective duty for anything, viz., 45 per cent. But the result of the process has rapidly proved to be what its inventor claimed for it. It has become possible to produce steel at a very small advance on the price of iron.

"Steel rails are cheap. The Bessemer process is a success, and it is now a subject of complaint that it is so. The whole value of the process is in making rails cheap. The committee asks Congress to advance a duty of 45 per cent. to almost double that amount, that rails may be dear, and so that we may enjoy the inestimable advantage of using the Bessemer process, without deriving from it its only benefit, cheapness.

"But what if we do get cheap rails? What will be the calamity? Why, cheaper food, cheaper clothes, cheaper houses, cheaper fuel! At the same time that all these things will be cheaper, the farmer, the spinner, the lumberman, and the miner will be the better paid. The saving effected will be divided between consumer and producer. Is it right for Englishmen to be ruining us all the time in this way? Is there no protection from these English *vultures* that are preying upon us?

"The United States are now building more miles of railroad than ever before. The old roads are using for repairs an enormous quantity of rails, and competent authority estimates that 750,000 tons will be used either for construction or repairs during the current year, besides 250,000 tons re-

Another popular, and often a most effective argument, made use of by the high protectionist party in the United States to sustain their cause among the masses, is to contrast the nominal wages paid in certain specific employments in the United States and in Great Britain, and at the same time represent that in case of the reduction of the tariff to a revenue or free-trade basis, the labourer in the United States will also, and necessarily, be reduced to a level of what is termed "the pauper labour of Europe;" but those who make use of this reasoning take special care never to dwell upon the fact that the theory of importance for the labourer to consider, is not so much the nominal rate of wages, as it

rolled. That this is not an extravagant estimate is shown by the fact that, according to the statistics of the Iron and Steel Association, 580,000 tons were manufactured in the United States in 1869, while 280,000 tons were imported—making, in the aggregate, 860,000 tons—to which must be added a large amount of steel rails, the exact quantity of which the Treasury Department has not yet reported; so that in all not less than 900,000 tons must have been required for 1869.

"Now, with this immense interest, with the economy of which, as it affects the cost of transportation, and so the freedom of exchange (which even protectionists acknowledge to be important within our own borders), it is a matter of vital interest that there should be no interference to increase the necessarily large expense, not only of construction but of repairs. The use of steel rails, it has been proved by satisfactory experience, will diminish the cost of repairs very largely, because steel rails last from ten to twelve times as long as iron ones. This great economy the Bessemer process is putting within our reach by offering us steel rails at an advance over iron ones of only about $20 a ton. The majority of the committee, sustained by the Committee of Ways and Means, ask for an increase of this duty from 45 per cent. *ad valorem* to two cents a pound, which at present prices equals an advance of nearly $20 a ton.

"There were moved on the railroads of this country, in 1869, 125,000,000 tons of freight. One of the largest items of the cost of doing this work was the cost of rails for repairs of the roads. The greater durability of steel rails greatly reduces this cost. We cannot afford to throw away the advantage which the cheapness of Bessemer steel offers to us. In short, the Commissioner feels that it is hardly worth while to argue that an industry that cannot live under a protection of 45 per cent. must have some inherent weakness in its infant constitution that makes it hardly worth raising.

"The Commissioner feels that it is proper to suggest that, as the proceeds of the duty received on the steel rails can well be spared from the Treasury, it is fair to inquire what results might be expected from its entire abrogation. Steel rails may now be laid down in New York for $60 to $62 a ton, currency, gold at 112; this would place the price at once below that of iron rails, and nobody would buy iron were steel to be obtained as cheap; and this, perhaps, shows why so great an interest has been manifested in this particular industry, in which so small an amount of capital has as yet been embarked. It is the iron rail-makers who want steel rails to be kept dear.

"If the 1,000,000 tons of rails which are this year to be laid down, either on new roads or in repair of old ones, could all be steel instead of iron, the

is the amount that the wages will buy; that since 1860 the price of commodities and rents have advanced under the protective system in a greater ratio to the masses than wages; and finally, that pauper labour, as they are pleased to call it, never has existed, and never can exist, in any country where cheap and fertile land can be had for simple occupation, or purchased by the acre for the minimum price of the week's wages received by the humblest of the labourers.

That the protectionist leaders of the United States furthermore shun direct and fair investigation and argument, and desire to uphold their cause by keeping the people in ignorance of the real and true issues involved

cost of repairing them would be reduced from ten per cent. to three per cent., and probably less, per annum; a difference which, on the rails of this year alone, would make a difference of $4,200,000, to be saved as a proportional annuity, deducted from the cost of transportation charged upon the wealth of the country. Multiply this by yearly additions until the whole 55,000 miles of railroad in this country is laid with a permanent steel track, as it certainly will be, with its 5,500,000 tons of rails, and the annual economy will be the difference between ten per cent. and three per cent. on that amount, or 550,000 against 165,000 tons, at $60 a ton, $23,100,000.

"The Commissioner states these things broadly, but without any exaggeration, to show the immense magnitude of the question, and how nearly it comes home to the business of every person in the community. If it were necessary, rather than stop the progress of the country toward this great economy, that the few Bessemer steel-works in the country should be bought up and destroyed, it undoubtedly would be for the interest of the country to do it, even if it were necessary to pension the proprietors and buy up the Bessemer patent, which the chairman of the Committee on Manufactures holds in trust for himself and associates. Fortunately it happens, in the case of this manufacture, that up to this time it cannot be claimed that any very large amount of capital or any large number of men have engaged in it. If it is true that this industry cannot survive with so small a protection as 45 per cent., it is well that that fact should be known before any more men are tempted to embark to their ruin in it. But there can be no truth in the idea. The process is valuable, and is a success simply because it saves labour, the very thing that is dearer here than elsewhere. It is in the labour-saving process that American industry has always triumphed; and that it will succeed in this is certain. To stimulate capital to embark in this enterprise too rapidly would only be to repeat the foolish waste of capital which excessive duties, in former years, have so often induced. Let capital and skill feel their way to success, and when obtained it will be seen. As for the foolish pretence that the few Bessemer steel establishments of this country have affected the whole European market, and reduced the price one-half, it can only be paralleled by an incident which is related by the celebrated Marco Polo, in his account of his travels, to the effect that when the great Khan of Tartary has partaken of his noonday meal of horse-flesh, a herald with a loud voice makes proclamation in front of the tent that, the great Khan having dined, permission was graciously accorded to all other inhabitants of the world to eat their dinners."—*Extract from the Protest of the Special Commissioner of Revenue, Washington, May* 21, 1870.

in their fiscal and economic policy, is also strikingly proved by the following incident.

During the year 1866, Henry C. Carey, of Philadelphia, the foremost advocate of protection in the United States, took occasion of a little public gathering of men prominent in public or business circles, to characterise the death of Richard Cobden, which had occurred during the previous year, as one of the many instances of special providence for which the United States, in connection with its war, had reason to be especially grateful. And on being questioned as to the reasons which prompted the utterance of such an extraordinary sentiment, he made answer substantially to this effect: "that he had understood it was the intention of Mr. Cobden, if he had lived, to have again visited the United States, and that in case he had done so he would have undoubtedly taken advantage of the great respect and esteem by which he was regarded by the whole people to have addressed them upon the subject of free trade; and that as the masses would have everywhere crowded to listen to him, great detriment might have thereby resulted to the cause of protection."

As kindred to this avowal of the fear of a free discussion of an economic subject by one of the purest and best intellects of the nineteenth century, the same gentleman also, at the present time, does not hesitate to proclaim openly and without concealment, that a prolonged war between Great Britain and the United States would be the very best possible thing which could happen to promote the industrial development and independence of the latter country.

And as evidence that Mr. Carey does not stand alone in the acceptance and utterance of such sentiments, we quote from the *New York Tribune* (the leading journal advocating protection in the United States), of October 24th, 1871, edited by Horace Greeley, who claims the title of philanthropist as well as economist, the following editorial comment upon the results of the great fire in Chicago:—

"*The money to replace what has been burned will not be sent*

abroad to enrich foreign manufactures; but thanks to the wise policy of protection which has built up American industries, it will stimulate our own manufactures, set our mills running faster, and give employment to thousands of idle workmen. Thus in a short time our abundant natural resources will restore what has been lost, and in converting the raw material our manufacturing interests will take on a new activity."

All of which is equivalent to saying that fire, war, pestilence, famine, shipwreck, and other calamities, if they give to certain class interests an opportunity to make and sell products at an advance of from 30 to 40 per cent. above their current value in the world's markets, and thereby inflict an unnecessary tax to the extent of from $15,000,000 to $20,000,000 on the impoverished inhabitants of a distressed city, is not to be regarded as wholly in the light of an evil and a disaster.

CONCLUSION.

We have thus endeavoured to sketch some of the more prominent incidents and features of the recent commercial, industrial, and financial history of the United States. As remarked in the outset, the whole history of the period reviewed may be regarded in the light of a record of a series of economic experiments upon a gigantic scale, empirical and tentative for the most part in their character, and whose influence and issue cannot yet be fully determined. But one thing, however, is certain; that, with the settlement and passing away of the questions growing out of the war and the extinction of slavery, the attention of the people of the United States will soon be given—as never before—to questions of economic interest and character; and the result of such attention will be progress in the direction of greater freedom, and a more intelligent fiscal administration—a progress so rapid, that it is safe to predict that ten years will not elapse before every vestige of restrictive and discriminating legislation will be struck from the national statute book. And in aiding this progress, influences other

than those resulting from a better acquaintance with economic principles will be powerfully operative. For it will soon be seen that the National Federative Government of the United States cannot long continue to exercise legislative powers for the benefit of some sections of the country, and to the detriment of others, without weakening those bonds which are necessary to bind together in unity a nation of continental occupation, the interests of whose *thirty-seven* States and *twelve* Territories, in respect to soil, climate, products, density of population, extraneous circumstances, and habitudes of their people, are as great in diversity as the distances by which they are separated.

To deny to New England cheap coal; to the South cheap fertilisers for its cotton and cheap clothing for its labourers; to compel the West to sell all that it produces by one scale of prices, and buy all that it consumes by another and a higher; to refuse to the inhabitants of the Pacific States the right to gather as a free gift the salt that Providence has heaped in abundance upon the islands of their own seas; to authorise these and similar interferences, is to sow again the seeds of discontent which, first planted by the tariff of 1828, subsequently ripened into sectional jealousy, secession, and bloody war. To avoid such an issue, the people of the United States will soon find it necessary to go back to, abide by, and maintain that fundamental principle of every truly free government, namely—*non-interference to the greatest extent possible with the freedom of the individual.* What this doctrine means in respect to freedom of thought, of speech, and of personal action, the people of the United States all know; what it means in respect to trade, commerce, and industry, they have yet to fully find out, but are now learning in the hard and costly school of experience.

APPENDIX.

COMMERCIAL POLICY OF FRANCE, AND THE TREATY WITH ENGLAND OF 1860.

THE effects of the Treaty of Commerce of 1860, between England and France, upon the intercourse of the two countries, and of the commercial policy of which that treaty was the beginning, upon the progress and prosperity of France, are well known to all who have had the opportunity of investigating the facts. But at a time when the financial exigencies of France have led to a discussion of measures which would profoundly modify the conditions of her foreign trade, and check her material development, it is essential that a knowledge of those facts should be brought home to the minds of the people of both countries, and be diffused as widely as possible.

It is for this reason that the Cobden Club has caused the following brief statistical summary to be compiled from the official documents published by the English and French Governments, in the conviction that the results which they exhibit require little commentary.

In France the Free Trade policy was introduced, not as in England by independent tariff reforms, but by successive Treaties of Commerce with foreign powers, whereby reciprocal simultaneous reductions were effected, thus securing in each case a double advantage, by opening the markets of France to foreign competition, and at the same time obtaining for French produce increased facilities of access to the markets of other countries. As these arrangements were necessarily, however, a work of time, and are even still incomplete, the effect of the new policy upon the industry and trade of France has been less rapid and powerful than it would have been if her commercial reforms had been concentrated in one general measure.

This consideration gives to the following statement, which is taken from the "Annals of Foreign Trade," published by the French Ministry of Commerce, greatly increased significance :—

Comparative Statement of the Foreign Trade of France in the Years 1859 and 1868.

*General Commerce.**—The general commerce of France for 1868 represents a total value of 8,114,000,000 francs, or £324,560,000, of which 4,258,000,000 francs, or £170,320,000, consisted of imports, and 3,856,000,000 francs, or £154,240,000, of exports. This is an increase of 2,702,000,000 francs, or £108,000,000, over the total value of the general commerce of France for 1859, the year which preceded the reforms commenced in 1860.

Special Commerce.†—The special commerce of France, which is an exact representation of her direct exchanges, amounted in 1868 to 6,229,000,000 francs, or £249,160,000, of which 3,304,000,000 francs, or £132,160,000, consisted of imports, and 2,925,000,000 francs, or £117,000,000, of exports.

This is an increase of 2,322,000,000 francs, or £92,880,000, over 1859, of which 1,663,000,000 francs, or £66,520,000, consisted of imports, and 659,000,000 francs, or £26,360,000, of exports.

The distribution between the different quarters of the globe, and the principal countries, of the aggregate amount of this "special commerce," in each of the years 1859 and 1868, viz.—3,907,000,000 francs in 1859, and 6,229,000,000 francs in 1868, was as follows:—

1.—*Europe.*

	Imports. Milliard frs.	Exports. Milliard frs.	Total. Francs.
1859	1,036	1,469	2,505,000,000
	£41,440	£58,760	£100,200,000
1868	2,355	2,232	4,587,000,000
	£94,200	£89,280	£183,480,000

There has thus been an increase in 1868 over 1859 of 2,082,000,000 francs, or £83,280,000, in the European trade of France.

2.—*Africa.*

	Imports. Millions francs.	Exports. Millions francs.	Total. Francs.
1859	55	37	92,000,000
	£2,200	£1,480	£3,680,000
1868	88	60	148,000,000
	£3520	£2,400	£5,920,000

* The term "General Commerce" includes all importations, whatever their origin or destination, whether for consumption in France or for re-export; and all exportations, whether of French or foreign origin.

† The term "Special Commerce" includes importations for consumption only, and exportations of French produce and manufacture only.

In this branch of trade there has been an increase in 1868 over 1859 of 56,000,000 francs, or £2,240,000.

3.—*Asia and Pacific.*

	Imports. Millions francs.	Exports. Millions francs.	Total. Francs.
1859	76	17	93,000,000
	£3,040	£680	£3,720,000
1868	204	32	236,000,000
	£8,160	£1,280	£9,440,000

Here the increase in 1868 over 1859 has been 143,000,000 francs, or £5,720,000.

4.—*America.*

	Imports. Millions francs.	Exports. Millions francs.	Total. Francs.
1859	334	521	855,000,000
	£13,360	£20,840	£34,200,000
1868	479	420	899,000,000
	£19,160	£16,800	£35,960,000

In the American trade generally there has been an increase of 44,000,000 francs, or £1,760,000, consisting exclusively of imports. The decline in the export trade is due to the falling off in the trade with the United States, owing to the civil war, and the exorbitant tariff maintained in the American Union.

5.—*French Colonies, Réunion, Martinique, Guadaloupe, Guinea.*

	Imports. Millions francs.	Exports. Millions francs.	Total. Francs.
1859.	75	58	133,000,000
	£3,000	£2,320	£5,320,000
1868.	63	43	106,000,000
	£2,520	£1,720	£4,240,000

The decrease in the trade with these possessions has arisen in the trade with Réunion. With the other colonies the trade has slightly increased.

6.—*Other French Possessions out of Europe, including Algeria.*

	Imports. Millions francs.	Exports. Millions francs.	Total. Francs.
1859.	64	165	229,000,000
	£2,560	£6,600	£9,160,000
1868.	114	138	253,000,000
	£4,560	£5,560	£10,120,000

The following table shows the imports and exports in the principal articles of French commerce, in each of the years 1859 and 1868 respectively:—

IMPORTS (IN MILLIONS OF FRANCS).

	1859.	1868.	Difference. Increase.	Decrease.
Silk	211	438	227	—
Cotton	154	271	117	—
Wool	126	238	112	—
Wood, common	106	179	73	—
Animals	51	158	107	—
Coal	95	132	37	—
Skins and furs	76	108	32	—
Flax	28	85	57	—
Coffee	44	74	30	—
Sugar, foreign	45	67	22	—
,, colonial	59	53	—	6
Grain, oleaginous	33	58	25	—
Copper	33	40	7	—

EXPORTS (IN MILLIONS OF FRANCS).

	1859.	1868.	Difference. Increase.	Decrease.
Silk Tissues	500	523	23	—
Woollen ditto	181	251	70	—
Cotton ditto	67	64	—	3
Linen ditto	15	27	12	—
Wine	232	234	2	—
Silk	45	146	101	—
Skins and Leather	130	123	—	7
Cereals	152	67	—	85
Cheese and Butter	24	70	46	—
Chemicals	33	54	21	—
Paper, &c.	32	38	6	—
Pottery (verres et cristaux)	31	37	6	—
Wool	9	37	28	—
Horses, &c.	17	35	18	—
Instruments and Metal Work	44	35	—	9
Eggs	13	35	22	—
Wood, common	17	35	18	—
Cotton and woollen yarn	7	31	24	—
Grain for sowing	13	23	10	—
Hair	5	10	5	—

It is to be observed that as regards the two principal articles of the French export trade, silks and wine, the increased value of the exports has not corresponded with the general progress of the trade of France in the periods under comparison; and an inference may be hastily drawn from this fact, adverse to the policy which has been pursued. It is, therefore, necessary to state that in consequence of the civil war in the United States, and the exorbitant tariff which has been in force during recent years, the export trade of France to the United States in silks and wine has been reduced to an extent which would have been disastrous to these two great industries, had not the expansion of the trade between France and England compensated them for the loss sustained in the American trade. These are the figures:—

EXPORTS OF SILKS AND WINE FROM FRANCE TO THE UNITED STATES IN EACH OF THE YEARS 1859, 1868.

	1859. Quantities.	Value.
Silks	938,761 kilos	138,246,607 francs.
Wine	22,299,552 litres	32,007,998 „

	1868. Quantities.	Value.
Silks	351,283 kilos	43,975,168 francs.
Wine	14,364,789 litres	13,827,528 „

It is a matter of wonder that, in the face of such a sudden and severe check to French trade in these branches, it has been able to maintain its present amount; and this is solely due to the policy adopted in 1860, which is alleged to have been injurious to France.

These official statements conclusively prove the marked impulse given to the foreign trade of France, and to many important branches of her industry, by the commercial reforms which have been effected by means of treaties with other countries.

The general results may be thus summed up:—In 1859 the special commerce of France, imports and exports combined, amounted to 3,907,000,000 francs, or £156,280,000, to which aggregate amount the following countries, with which treaties have since that time been concluded—viz., England, Belgium, Germany, Switzerland, Austria, and Holland—contributed 1,697,000,000 francs, or £67,880,000.

In 1868 the special commerce of France amounted to a value of 6,229,000,000 francs, or £249,160,000, to which the above-mentioned countries contributed 3,175,000,000 francs, or £127,000,000, against 1,697,000,000 francs, or £67,880,000, as before stated, in 1859; showing an increase of 1,478,000,000 francs, or £59,120,000.

Italy has been expressly excluded, owing to the difficulty of making an accurate comparison between the trade of that country when it was composed of several distinct states, and when it forms, as it now does, an independent commercial unit.

The following is a statement of the trade with each of the six above-mentioned countries in 1868:—

SPECIAL COMMERCE (IN MILLIONS OF FRANCS).

	Imports.	Exports.	Total.
England	580	921	1,501
Belgium	354	288	639
Zollverein	266	226	492
Austria	47	8	55
Switzerland	141	276	417
Holland	40	31	71

Total, 3,175,000,000 francs, or £127,000,000.

In examining this table, it must be observed that the treaty with Austria was only concluded in 1866, and those with the Zollverein and Switzerland in 1865.

Shipping.—The development of the foreign trade of France under the policy of recent years has been attended necessarily by a large increase in the tonnage engaged in it; and although the principal part of this increase consists of foreign shipping, there has been a very marked progress in the employment of French tonnage also in the foreign trade of France, as well as in her colonial trade; the national tonnage engaged in the coasting trade—a trade, be it observed, which, with some unimportant exceptions, is exclusively reserved to French navigation—having, on the contrary, declined.

The important changes made in the French navigation system in 1866, by which the indirect foreign trade of France was opened on equal terms to the shipping of foreign countries on condition of reciprocity, and the remaining protective and differential restrictions on such shipping at once partially abolished, and prospectively removed altogether, have not been in operation yet for a period long enough to bear their full fruits; but the following tables show that there is no reason to believe that they have been attended with injury to the French shipping interests:—

	1858. Tons.	1868. Tons.
French shipping in foreign trade	2,218,199	3,095,544
„ „ colonial ditto	625,140	992,576
„ „ coasting ditto	6,234,610	5,498,248
Total (exclusive of fisheries)	9,077,949	9,586,368

It is remarkable that the only branch of French navigation still protected from foreign competition should be the only one which has declined in importance since the new policy has been in operation.

The total tonnage engaged in French trade in each of the years 1858 and 1868 was as follows:—

	1858.	1868.
Foreign trade	5,924,506	9,513,514
Colonial ditto	625,252	1,011,211
Coasting ditto	6,234,610	5,498,248
Total	12,784,368	16,022,973

During the last ten years there has been but little addition to the total tonnage of the mercantile marine of France; but of steam tonnage France possessed, in 1868, 135,259 tons, against 66,587 tons in 1858.

In the trade with England, the employment of French steam

tonnage has advanced from 24,371 tons in 1859 to 251,985 tons in 1869.

Further evidence of the material progress of France since the introduction of the economic reforms of 1860 is afforded by the following official statements:—

PRODUCTION OF WINES AND OTHER SPIRITUOUS DRINKS.

Wine.

The average production of Wine of all kinds in France in the six years preceding and in the six years subsequent to 1860.

	Hectolitres.
Average of years from 1854 to 1859, inclusive	27,752,000
Do. do. from 1861 to 1866, inclusive	50,276,000
Increase in latter period	22,524,000

Taxed—made with Brandy, &c. &c.

	Hectolitres.
Average of two years—1858-59	37,614,000
Do. of six years after 1860	39,224,000
Increase	1,610,000

Other Spirituous Liquors subjected to Taxes.

	Spirits. Hectol.	Cider. Hectol.	Beer. Hectol.
Average of two years—1858-59	832,810	4,586,031	6,751,716
Average of six years after 1860	878,053	5,666,066	7,298,070
Increase	54,757	1,080,035	546,354

ACCOUNT OF COAL EXTRACTED FROM MINES AND CONSUMED IN FRANCE.

	Extracted. Quintaux Métriques.	Consumed. Quint. Métriques.
Average in six years before 1860	74,905,000	125,586,000
Average in six years after 1860	109,211,000	173,768,000
Increase	34,306,000	48,182,000

STATEMENT OF THE PRODUCTION IN FRANCE OF THE FOLLOWING METALS:—

	Pig Iron. Tonn. Mét.	Iron of all kinds. Tonn. Mét.	Steel. Quint. Mét.	Copper. Quint. Mét
Average of six years before 1860	878,650	545,917	229,167	75,483
Average of six years after 1860	1,148,576	757,686	412,749	154,178
Increase	269,926	211,769	183,582	78,695

STATEMENT OF THE SALE OF TOBACCO BY THE STATE.

	Tobacco-leaf and Cigars. Kilog.	Manufactured Tobacco. Kilog.
Average of six years before 1860	33,626,000	26,283,000
Do. do. after 1860	32,145,000	24,479,000
Decrease	1,481,000	1,804,000

ACCOUNT OF THE STEAM POWER USED IN PRIVATE INDUSTRIES.

	No.	Steam power.
Average of six years before 1860	10,703	133,679
Do. do. after 1860	19,015	231,971
Increase	8,312	98,292

ACCOUNT OF THE STEAM POWER USED IN CERTAIN INDUSTRIES IN 1852 AND 1867.

	1852.	1867.	Increase.
Chemical manufactures	313	2,006	1,693
Glass works	620	2,387	1,767
Pottery works	296	1,048	752
Weaving manufactures	1,738	9,796	8,058
Spinning manufactures	16,495	49,996	33,501
Cloth manufactures	1,194	3,847	2,653

CIRCULATION OF LETTERS BY POST-OFFICE.

	No.
Average of six years before 1860	243,750,830
Do. do. after 1860	297,295,948
Increase	53,545,118

ACCOUNT OF THE PROGRESS OF SAVINGS-BANKS IN FRANCE FROM 1854 TO 1868 INCLUSIVE.

	Number of Books. No.	Relation of the Depositors to the Population. No.	Amount of Deposits. Fr.
Average of six years before 1860	972,981	1 to 37	126,101,407
Average of six years after 1860	1,516,308	1 to 24	177,496,516
Increase	543,327		51,395,109

But to return to the effects upon the foreign trade of France, and of the commercial policy which has been pursued during the last ten years. The foregoing statement has exhibited those effects upon the general trade of the country, but in order to form an adequate conception of its operation it is necessary also to examine the course of the special trade between France and England; both for the reason given above, viz., that it was to this particular branch of French trade that the new tariff was first applied, and, secondly, because the trade with England con-

stitutes so important an element in the whole foreign commerce of France.

This latter consideration is too often forgotten in the question so often and so uselessly asked, viz., whether France or England has benefited the most from the Treaty.

It is therefore necessary to recall the fact that French trade with England forms about one-fourth of the whole foreign trade of France, while English trade with France forms only about one-tenth of the whole foreign trade of England.

A comparison of the total value of the trade between England and France, including imports, exports, and re-exports, as shown by the English trade accounts in the two quinquennial periods 1855-9 and 1865-9, gives the following results:—

	1855-59. £	1865-69. £	Increase. £	Per cent.
Imports from France	12,328,219	33,960,099	21,631,880	175
Exports to France	10,204,788	24,353,265	14,148,477	139
Total	22,533,007	58,313,364	35,780,357	159

The following table shows the progress made in the same period in the total foreign trade of the United Kingdom:—

TOTAL FOREIGN TRADE OF THE UNITED KINGDOM.

	1855-59. £	1865-69. £	Increase. £	Per cent.
Imports from all countries	169,539,526	286,339,903	116,800,377	69
Exports to all countries	139,512,257	229,666,659	90,154,402	65
Total	309,051,783	516,006,562	206,954,779	67

TOTAL TRADE OF THE UNITED KINGDOM WITH COUNTRIES WITH WHICH COMMERCIAL TREATIES HAVE BEEN CONCLUDED SINCE 1860—VIZ., FRANCE, BELGIUM, SWEDEN AND NORWAY, ITALY, AUSTRIA, ZOLLVEREIN (HANSE TOWNS AND HOLLAND).*

	1855-59. £	1865-69. £	Increase. £	Per cent.
Imports	40,158,369	81,881,672	41,723,303	104
Exports	45,518,909	87,165,799	41,646,890	91
Total	85,677,278	169,047,471	83,370,193	97

The next tables, which have been compiled from the English

* The exports to the Hanse Towns and Holland include a large part of the trade to Germany and Austria.

trade accounts, show the imports and exports of the principal articles in the trade between England and France, in the years 1859 and 1869 respectively :—

IMPORTS FROM FRANCE INTO THE UNITED KINGDOM IN EACH OF THE YEARS 1859 AND 1869.

	1859.		1869.	
	Quantities.	Value.	Quantities.	Value.
		£		£
Butter . . . cwts.	36,854	152,480	407,432	2,231,450
Corks . . . . lbs.	481,866	30,116	1,323,466	71,687
Cotton manufactrd., including yarn . . . value	...	375,352	...	612,474
			Gt. Hundrds.	
Eggs . . . cubic feet	649,863	293,588	3,215,442	974,895
Feathers, ornamental . lbs.	31,476	73,262	81,187	111,744
Fish . . . . value	...	26,695	...	133,594
Artificial flowers . . „	...	97,273	...	358,376
Fruit . . . . „	...	105,287	...	253,047
Garancine . . . cwts.	18,343	131,504	17,960	119,332
Glass of all kinds . „	6,324	28,227	...	208,623
Hair . . . . „	1,949	9,699	34,889	211,661
Hats of felt . . numb.	53,619	16,084	214,033	64,210
Jute yarn . . . lbs.	not distinguished.		3,302,566	80,474
Hides . . . . „	1,963,850	145,930	5,747,265	298,724
Hops . . . . cwts.	...	...	30,572	69,383
Iron and steel . . „	5,114	6,916	...	101,248
Lace . . . . value	...	22,364	...	179,374
Leather gloves . . pairs	4,500,049	487,775	9,440,928	1,022,766
Leather boots . . „	695,445	111,002	296,328	61,421
Madder . . . cwts.	65,699	165,353	24,806	58,915
Musical instruments . numb.	3,790	37,900	...	177,541
Oil, rape seed . . tons	4,158	161,178	4,065	153,856
Oilseed cake . . „	11,981	92,233	59,115	416,955
Opera glasses . . value	...	35,198	...	73,419
Paper of all kinds . cwts.	7,353	25,883	56,330	122,039
Potatoes . . . „	443,927	69,674	833,640	190,977
Poultry and game . value	...	13,280	...	67,074
Rosin . . . . cwts.	4,258	1,676	159,429	63,521
Seeds . . . . value	...	254,296	...	357,274
Raw silk . . . lbs.	667,404	1,064,806	950,561	1,448,513
Silk, thrown . . „	155,872	298,427	240,917	569,653
Silk manufactures . value	...	1,732,928	...	9,004,291
Spirits . . . galls.	3,955,736	1,377,511	3,841,644	1,233,711
Sugar . . . . cwts.	199,492	247,952	908,590	1,294,364
Watches . . . numb.	99,894	210,738	122,985	183,057
Wine . . . . galls.	1,010,888	559,304	4,255,483	1,585,858
Wool . . . . lbs.	1,312,776	128,392	2,224,947	142,636
Woollen manufactures value	...	607,609	...	1,586,639
Total	...	16,870,859	...	33,527,377

N.B.—These importations are exclusively for consumption in the United Kingdom, French exports to the United Kingdom in transit to other countries being shown in a separate account of the "Transit Trade."

Produce and Manufactures of the United Kingdom.

EXPORTS FROM THE UNITED KINGDOM TO FRANCE IN EACH OF THE YEARS 1859 AND 1869.

		1859.		1869.	
		Quantities.	Value.	Quantities.	Value.
			£		£
Alkali	cwts.	29,079	16,023	157,000	62,731
Apparel	value	—	39,695	—	123,079
Caoutchouc	„	—	21,366	—	135,665
Coals	tons	1,391,009	615,232	1,999,920	869,137
Copper	cwts.	90,320	493,083	80,086	331,226
Cotton yarn	lbs.	360,319	33,319	1,914,731	242,018
Cotton, manufac.	value	—	222,383	—	1,195,077
Chemicals	„	—	18,386	—	120,197
Fish	„	—	10,530	—	131,378
Hardware	cwts.	9,964	95,479	26,671	127,389
Iron	tons	82,713	395,135	134,151	704,440
Leather	value	—	3,600	—	93,943
Linen yarn	lbs.	766,963	89,371	3,484,833	230,505
Linen manufac.	value	—	68,743	—	193,912
Machinery	„	—	199,402	—	317,124
Oil, linseed	galls.	1,362,625	163,698	1,544,950	184,617
Silk yarn	lbs.	231,574	113,464	116,760	72,498
Silk, thrown	„	289,456	308,568	242,191	346,442
Silk manufactures	value	—	44,039	—	113,630
Telegraph wire	„	—	28,349	—	534,432
Tin plates	„	—	23,680	—	43,038
Wool	lbs.	6,170,228	428,942	4,986,664	380,292
Woollen yarn	„	832,384	176,118	3,993,381	705,573
Woollen manufac.	value	—	243,286	—	2,183,674
Total		—	4,754,354	—	11,438,330

RE-EXPORTS FROM THE UNITED KINGDOM TO FRANCE.

		1859.		1869.	
		Quantities.	Value.	Quantities.	Value.
			£		£
Coffee	lbs.	480,739	14,232	17,882,486	528,006
Copper	cwts.	12,006	64,392	139,500	492,743
Cotton, raw	„	66,324	185,693	269,709	1,227,331
Hemp and flax	„	28,071	46,581	377,303	398,087
Indigo	„	1,747	53,284	2,982	109,850
Rice	„	153,048	85,452	152,476	81,320
Seeds	qrs.	123,818	279,065	106,785	303,275
Silk, raw	lbs.	1,569,045	1,588,658	2,767,861	3,263,769
Wool	„	12,214,600	914,160	65,190,828	3,860,729
Total		—	4,807,602	—	11,838,892

The effect of the recent policy of France on her financial

resources is a question at the present time of the greatest interest.

It is generally assumed that the commercial advantages which have incontestably been gained by the economic reforms of the last ten years, have been attained at the expense of fiscal resources. This is the reverse of the truth. The falling-off in the custom-house receipts is in France a most imperfect test of the effects of commercial policy upon revenue; for there, as is well known, some of the largest branches of indirect taxation—viz., the taxes on the greater part of the spirits, salt, and sugar consumed in the country, and the proceeds of the sale of tobacco—are all included under other divisions of the revenue, and must be added to the custom-house receipts, in order to establish a real comparison with former periods. In other words, the proceeds of the service of the "indirect contributions" must be added to those of the "service" of the customs. If this course is taken, the result is found to be as follows:—

TOTAL RECEIPTS OF BOTH SERVICES IN 1859 AND 1868.

	1859. Million francs.	1868. Million francs.
Customs	228,455,000	144,564,000
Indirect taxes	485,676,000	620,225,000
Total	714,131,000	764,789,000

From this comparison, it appears that the French revenue from these combined sources has been increased by 50,000,000 francs, or £2,000,000, since 1860.

The policy of attempting to increase revenue by the imposition of new charges on the raw materials of industry, and upon manufactures, is condemned by the experience of every country under economical conditions similar to those of France. So far as such changes are of a protective nature, they can of necessity only succeed in their object by checking or destroying the trade from which revenue is derived. No tax can be at once protective and fiscal; it can only succeed in one direction in proportion as it fails in the other. And even if, by a careful equalisation of the taxes upon raw materials and upon their manufactured products, the protective element were to be removed, all such charges would constitute a direct burden upon French industry, which would have the double effect of restricting competition at home, by keeping small capitalists out of the field, and crippling the French export trade, thus cutting at the root of the industrial life of the country, and drying up one of the most important sources of national wealth and financial prosperity.

The example of the United States of America is sometimes

adduced in evidence of the financial success which may attend such a policy. Such an appeal can only be made by those who are profoundly ignorant of the effects of that policy upon the industrial economy and well-being of the American Union. That a large revenue has been raised by a system of taxation weighing upon every branch of trade and industry, and by a most oppressive tariff of customs duties, is incontestably true; but this result has only been attained by a process which has partially annihilated American manufactures, and inflicted an amount of privation on the people which nothing but the vast territorial resources of the country could have enabled them to support, and which, if attempted in the older countries of Europe, would lead to crushing national disaster.*

* The following statement is taken from a recent article in the *North American Review* by Mr. David A. Wells, late Revenue Commissioner of the United States:—

Since 1860 the population of the Union has increased nearly 8,000,000; there are 25,000 miles more of railways; the debt is only about one-half that of Great Britain; and exclusive of this charge, government expenditure infinitely less; and there is no natural reason which would render the United States less able to compete in the world's markets now than in 1860; but it is nevertheless a fact that the people of the United States now use less sugar and coffee, and fewer boots, shoes, hats, and other articles of universal consumption, per head, than they did in 1859. The consumption of cotton cloth was less in 1870, measured in pounds, with a population of 39,000,000, than in 1860, with 30,000,000; and they not only buy less at home, but sell less abroad, and send what they sell in foreign ships.

The following account of the value of various exports in 1860 and 1869 respectively, affords conclusive testimony of this decline in prosperity; and as the value in the former year is calculated in gold, and that in the latter in paper currency, which is now depreciated 13 per cent., the decrease, great as it is shown to be, is really greater than it appears:—

	Value of Exports.	
	1860. In Gold. $	1869. In Currency. $
Animals	1,855,091	689,508
Beer, ale, and porter	53,573	9,755
Boots and Shoes	782,525	356,290
Candles	760,528	324,995
Carriages	816,973	299,487
Garden and other seeds	596,910	44,816
Gunpowder	467,972	122,562
Hides and Skins	1,036,260	219,918
India-rubber manufactures	240,844	128,216
Marble and stone manufactures	176,239	65,515
Paints and varnish	223,809	91,452
Paper and books	564,066	290,098
Pot and pearl ashes	882,820	187,004
Soap	494,405	384,950
Tobacco (manufactured)	3,337,083	2,101,335
Trunks and valises	37,748	24,800
Wool and woollens	389,512	237,325

There has also been a great decline in shipping, not only as regards

foreign trade, but also in the coasting trade, of which the Americans have the monopoly, and in fishing tonnage. In the trade with Great Britain the entries were, in 1860, 924 American and 613 foreign vessels; in 1869, 365 American and 1,394 foreign. Mr. Wells states that in 1860, 15,000 men were employed, in New York city alone, in building and repairing marine steam engines; and that in 1870, fewer than 700 found employment in this, which was one of the best paid and paying branches of American industry, and in which American artisans formerly excelled. This has happened, he says, in the face of a rise of wages in the same branch of English industry since 1863-4, by about 15 per cent., notwithstanding which, owing to improved machinery and better knowledge, the cost of construction has declined. From this Mr. Wells draws the inferences that within the last ten years the result of Protection in the United States has been to decrease the purchasing power of wages, diminish consumption, prevent exports, and increase the cost of manufactured products; whilst in Great Britain wages have been increased, cost decreased, consumption increased, and exports largely augmented.

THE END.

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